

WESSEL & COMPANY

ACCOUNTANTS & ADVISORS

June 28, 2019

Secretary of Education Pedro A. Rivera
Pennsylvania Department of Education
Office of the Secretary
333 Market Street
Harrisburg, PA 17126

Dear Mr. Rivera:

Wessel & Company was retained by the Pennsylvania Department of Education (PDE) to perform Agreed-Upon-Procedures and Technical Consultative Services related to Harrisburg City School District's (HCSD) for the period July 1, 2015 through June 30, 2018.

The results of our procedures including, findings, recommendations and quantified questioned costs are detailed in this report. All of our findings are supported by factual evidence and documentation obtained from Harrisburg City School District.

The conclusions contained herein have been made to a reasonable degree of professional certainty. We expressly reserve the right to modify, supplement or amend this report upon receipt and review of additional information that may become available. The report herein, and its references, comprises our work in connection with this engagement.

Respectfully,

WESSEL & COMPANY
Certified Public Accountants



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Harrisburg City School District

Agreed-Upon Procedures and
Technical Consulting Report

Fiscal Years
June 30, 2016, 2017 and 2018

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Harrisburg City School District Executive Summary

Wessel & Company was retained by the Pennsylvania Department of Education (PDE) to perform Agreed-Upon-Procedures, assess Harrisburg City School District's (HCSD) internal controls and commitment to comply with policies and procedures, and to determine the District's operational and financial management effectiveness. The scope of our services covered the period July 1, 2015 through June 30, 2018, and in some areas were extended into fiscal year 2018-2019.

During the course of our engagement, Wessel & Company experienced a number of delays while trying to complete the fieldwork necessary to support the Agree-Upon-Procedures and Supplemental Consulting Reports.

An entrance conference was held on March 6, 2019, with representatives from the Pennsylvania Department of Education and members of Harrisburg City School District's top Management, at which time the District agreed that they could satisfy our information requests within a (48) forty-eight hour timeframe. One of our first requests was for access to eFinancePlus software, which was critical to the overall completion of our fieldwork. This request was not fulfilled by the District until April 30, 2019.

During our initial fieldwork in March and April, we concluded each week by providing the Acting Business Manager with a recap of our outstanding information requests, including prior requests that were considered past due, since the information was not provided within (48) forty-eight timeframe as agreed. As of June 28, 2019, we still have not received information requested for items relating to the District's Significant Improvement Grant (SIG) Program for John Harris High School.

The information and findings detailed in this report are supported by factual evidence and documentation obtained from Harrisburg City School District.

Summary of Section 2 Findings

The Pennsylvania Department of the Auditor General conducted a Performance Audit of the District dated October 19, 2015. Our engagement served to follow-up on the status of the Auditor General's findings and to determine the status of corrective action taken by the District in response to the prior audit findings. **The follow summarizes the status of each finding:**

- **Finding No. 1 – The District Continues to Face Significant, Persistent Financial Challenges. Has not been corrected;** all of the financial challenges previously identified, are still present and limiting the District from achieving financial stability
- **Finding No. 2 – Continual Poor Management of the District's Cafeteria Operations Resulted in the General Fund Subsidizing an Accumulated Loss of Nearly \$1.3 Million and a Remaining Fund Deficit Over \$875,000. Has been fully corrected;** the financial condition and cafeteria operations have significantly improved and no longer rely on General Fund subsidies.
- **Finding No. 3 – The District Employed Unlicensed Health Room Aides and an Uncertified School Nurse who Provided Medical Services to Students. Has not been corrected;** while we did not identify any unlicensed or uncertified health service employees, there is a lack of internal controls over the documentation and monitoring of licensed health professionals.

- Finding No. 4 – The District’s Student Membership Data, which was Submitted to the Pennsylvania Department of Education Not Only to Calculate Subsidies but also for Educational Decision-Making, was Deemed Unverifiable, and Therefore Unreliable. **Has been partially corrected**; the District has made significant improvements within its Child Accounting Department, however for fiscal year 2017-2018 we did note a variance of 7.148 between eSchoolPlus student membership data and PIMS.
- Finding No. 5 – The District’s Continued Failure to Implement Stronger Access Controls, Require a Non-Disclosure Agreement, and Develop a Disaster Recovery Plan Weakened Data Security. **Has been partially corrected**; both password security controls and non-disclosure clauses for software vendors have been implemented; however, the District has not yet developed a written formal Disaster Recovery Plan.

Summary of Section 3 Findings

Our assessment of Harrisburg School District’s internal controls and oversight responsibility covered the following areas and departments and resulted in an additional **32 findings** and questioned costs and unsupported expenditures in excess of **\$3,800,000**, as follows:

Internal Control and Oversight Responsibility Results			
	Findings	Known Questioned Costs	Potential Questioned Costs
District Overview	3	\$ -	\$ -
School Board	5	-	-
Business Office	11		
Lack of Contract Monitoring - STS/ABEL		8,954.60	903,185.71
Costs in Excess of Approved Contract Limits		210,366.00	210,366.00
Human Resources	6		
Excess Benefits Paid to Terminated Employees		822,485.98	822,485.98
Misplaced Step Costs		38,447.00	138,447.00
Payroll Department	2		
Superintendent Compensation		19,208.42	19,208.42
Informational Technology	0	-	-
Federal Programs	4		
Payroll and Benefits Charged of SIG Program		228,216.58	228,216.58
Child Accounting	0	-	-
Transportation	1		
Excess Payments to Vendors		39,696.55	258,027.64
Food Service	0	-	-
Total Questioned Costs		<u>\$ 1,367,375.13</u>	<u>\$ 2,579,937.33</u>

Unsupported Expenditures			
Business Office			
Disbursement Exceptions		<u>\$ 2,489,537.71</u>	

The most significant findings include:

- Hiring and retaining top-level management that display a poor ‘Tone at the Top’ for District employees.
- A lack of oversight and controls related to cash disbursements and procurement procedures.
- Retaining an Acting Business Manager that lacks the qualifications, skills, knowledge or experience to oversee the Business Office.
- Excessive use and lack of internal controls to support monitoring activities of independent contractors,
- Insufficient internal control activities to comply with Board approved policies, laws and regulations.
- Inconsistent communication and sharing of information between departments.

Overall, our engagement identified significant deficiencies in internal control, instances of financial waste and abuse, noncompliance with relevant requirements and a lack of effective leadership. Our findings and recommendations have been discussed with the Pennsylvania Department of Education and Harrisburg City School District’s Receiver. We believe the implementation of our recommendations will improve the District’s operations and facilitate compliance with legal and administrative requirements. We will continue to be available to assist both Pennsylvania Department of Education and Harrisburg City School District to implement any of our recommendations.

Respectively Summited,



WESSEL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2019



pennsylvania
DEPARTMENT OF EDUCATION

Harrisburg City School District

Agreed-Upon Procedures and Technical Consulting Report

Fiscal Years
June 30, 2016, 2017 and 2018

June 28, 2019

Stephanie A. Stohon, CPA, CFE, CFF
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WESSEL & COMPANY
ACCOUNTANTS & ADVISORS

Put us to work for you.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

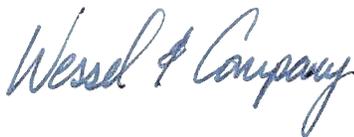
Pennsylvania Department of Education
333 Market Street
Harrisburg, PA 17126

We have performed the procedures in the **Exhibit I**, which were agreed to by the Pennsylvania Department of Education on the financial records and internal processes of Harrisburg City School District for the period July 1, 2015 through June 30, 2018. Harrisburg City School District's management is responsible for the financial records and internal processes of the District. The sufficiency of these procedures is solely the responsibility of the Pennsylvania Department of Education. Consequently, we make no representation regarding the sufficiency of the procedures in **Exhibit I** for the purpose for which this report has been requested or for any other purposes.

The procedures and associated findings are attached in **Exhibit I**.

This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Generally Accepted Government Audited Standards* (GAGAS). We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Pennsylvania Department of Education who have taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.



WESSEL & COMPANY
June 28, 2019

**PENNSYLVANIA DEPARTMENT OF EDUCATION (“PDE”)
AGREED UPON PROCEDURES**

PENNSYLVANIA AUDITOR GENERAL’S 2015 AUDIT FOLLOW UP:

1. Based on the annual audited financial statements for June 30, 2016, 2017 and 2018 of the Harrisburg City School District (“District”):
 - a. Recalculate the District’s General Fund’s total fund balance, unassigned fund balance, total budgeted expenditures and percentage of unassigned fund balance to total budgeted expenditures.

We recalculated the items above without exception. No exceptions noted.

General Fund	June 30, 2016	June 30, 2017	June 30, 2018
Total Fund Balance	\$ 30,172,327	\$ 29,689,659	\$ 19,144,753
Unassigned Fund Balance (A)	\$ 6,444,096	\$ 10,739,859	\$ 1,030,200
Total Budgeted Expenditures (B)	\$113,750,080	\$122,085,638	\$127,653,672
(A) / (B)	5.67%	8.80%	0.81%

- b. Recalculate the District’s General Fund current ratio.

We recalculated the current ratio without exception. No exceptions noted.

General Fund	June 30, 2016	June 30, 2017	June 30, 2018
Current Assets (A)	\$ 27,803,122	\$ 19,155,411	\$ 16,522,897
Current Liabilities (B)	\$ 19,237,656	\$ 15,466,158	\$ 19,158,497
Current Ratio (A) / (B)	1.45	1.24	0.86%

- c. Compare the District’s debt service expenditures to the District’s total expenditures and recalculate the percentage of the District’s debt service expenditures compared to the District’s total expenditures.

We compared the items above without exception. No exceptions noted.

	June 30, 2016	June 30, 2017	June 30, 2018
Debt Service Expenditures (A)	\$ 23,728,371	\$ 23,557,228	\$ 25,574,163
Total General Fund Expenditures (B)	\$141,702,304	\$146,631,611	\$157,432,742
(A) / (B)	16.75%	16.07%	16.24%

- d. Recalculate the District's Cafeteria Fund's operating surplus/(deficit).

We recalculated the item above without exception. No exceptions noted.

Cafeteria Fund	June 30, 2016	June 30, 2017	June 30, 2018
Operating Surplus	\$ 855,966	\$ 52,469	\$ 417,826

- 2. Obtain the District's School Health Annual Reimbursement Request (SHARRs) reports for June 30, 2016, 2017 and 2018 filed with the PA Department of Health and perform the following:
 - a. Verify reported individuals are properly certified or licensed through the PA Department of State's database maintained by the Pennsylvania Licensing System (PALS).

We obtained the District's School Health Annual Reimbursement Request (SHARRs) reports for June 30, 2016, 2017 and 2018 filed with the PA Department of Health and noted twelve (12) health professionals were reported. All twelve (12) individuals reported to the PA Department of Health were properly licensed. No exceptions noted.

- b. Verify the District retained a copy of the professional certification or license in the individual's personnel file.

For the health professionals identified in step (a) above, zero (0) out of twelve (12) individual personnel files retained a copy of the professional license or certification. Exceptions noted.

- c. Verify the District documented professional certification or license information in eFinancePlus.

For the health professionals identified in step (a) above, zero (0) out of twelve (12) individual's professional certification or licensed information was documented in the eFinancePlus "Certification Data Report" for the employee. Exceptions noted.

- 3. In relation to the District's Information Technology Department, perform the following:
 - a. For the three (3) largest software vendors utilized during fiscal year 2017-2018, verify the District included confidentiality or non-disclosure clauses in their signed agreements.

The District appropriately included confidentiality or non-disclosure clauses in the signed agreements with their three (3) largest software providers. No exceptions noted.

- b. Obtain a copy of the District's most recent Disaster Recovery Plan.

The District was unable to furnish a written Disaster Recovery Plan. Exception noted.

BUSINESS OFFICE

1. Select a sample of forty-seven (47) contracts approved by the District's school board between July 1, 2015 and June 30, 2018 and perform the following:
 - a. Trace the Board approved contract amount and/or hourly rate to the vendor contract.
 - b. Obtain vendor payment history reports from the District's eFinancePlus system and recalculate the total cash disbursements for the contract period.

We selected a sample of forty-seven (47) contracts approved by the District's School Board to perform the procedures noted in steps (a) and (b). We traced and agreed board the approved amount and/or hourly rates to the vendor contract and we obtained the vendor payment history reports from eFinancePlus and recalculated the total cash disbursements for the contract period. We noted sixteen (16) exceptions in the table below. Exceptions noted.

	Vendor	Board Approved Contract Amount Cost not to Exceed	Actual Amount Paid	Difference Between Approved Contract and Actual Paid
1	Rose Sampson	\$ 7,000.00	\$ 7,035.00	\$ 35.00
2	Deborah L. Fulton - DBA DFL Group LLC.	4,650.00	5,456.25	806.25
3	Joy L. MacKenzie - DBA Literate by Design, LLC.	5,456.25	6,881.25	1,425.00
4	McKissick Associates PC	22,855.00	24,824.47	1,969.47
5	Clenistine Dunson	57,000.00	59,760.00	2,760.00
6	Dolorez Cobb-Jones	43,200.00	79,650.00	36,450.00
7	Dolorez Cobb-Jones	60,000.00	106,135.00	46,135.00
8	Patricia Patterson Lee	8,750.00	9,898.70	1,148.70
9	Patricia Patterson Lee	70,000.00	76,294.63	6,294.63
10	Rose Sampson	66,500.00	66,920.00	420.00
11	Clenistine Dunson	78,000.00	163,953.10	85,953.10
12	Joy L. MacKenzie - DBA Literate by Design, LLC.	32,725.00	33,596.25	871.25
13	Donna Cheatham	60,000.00	63,615.00	3,615.00
14	Iris Brown	60,000.00	64,157.20	4,157.20
15	Patricia Patterson Lee	70,000.00	77,280.00	7,280.00
16	Paul Droms	60,000.00	71,015.40	11,015.40
	TOTAL	\$ 706,136.25	\$ 916,472.25	\$ 210,336.00

- c. Verify the District performed the IRS required evaluation to document that independent contractors have been properly classified as an independent contractor rather than a District employee.

Of the forty-seven (47) contracts selected in our sample, nineteen (19) contracts were for independent contractors performing services for the District; however none of the contract files documented the District's determination of whether the individual was an independent contractor or an employee. Exceptions noted.

2. For each fiscal year, June 30, 2016, 2017 and 2018, select a sample of sixty (60) cash disbursements from the District's check register and perform the following:
 - a. Verify check amount agrees to invoice amount.

Except for the items below, the check amount agreed to the invoice amount.

	June 30, 2016	June 30, 2017	June 30, 2018
Exceptions noted (A)	12	11	4
Sample Size (B)	60	60	60
Error Rate (A) / (B)	20%	18%	7%

- b. Verify each invoice has a purchase order that contains the following:
 - i. Purchase requisition number
 - ii. Purchase requisition date
 - iii. Purchase order number
 - iv. Purchase order date
 - v. Approval of CFO or Business Manager

Except for the items below, the invoice was accompanied with a purchase order that contained the information above. Exceptions noted.

Exception Type	2015-2016		2016-2017		2017-2018	
	# of Exceptions	Exception Rate	# of Exceptions	Exception Rate	# of Exceptions	Exception Rate
i. Purchase order lacked requisition number	6	10%	11	18%	4	7%
ii. Purchase order lacked requisition date	60	100%	46	77%	36	60%
iii. Purchase order missing a purchase order number	4	7%	8	13%	2	3%
iv. Purchase order missing a purchase order date	8	13%	11	18%	4	7%
v. Purchase order was approved by CFO/ Business Manager prior to payment	9	15%	11	18%	4	7%
Total sample size	60		60		60	

3. For each fiscal year, June 30, 2016, 2017 and 2018, select two (2) months of invoices paid to Substitute Teacher Services, Inc. (STS) and ABEL Personnel and compare individuals billed to the District to the District's daily sign-in sheets.

The District was able to provide monthly invoices for Substitute Teacher Services, Inc. (STS) and ABEL Personnel, however, the District was unable to provide daily sign-in sheets for the fiscal years June 30, 2016, 2017 or 2018. Exceptions noted.

4. For each fiscal year, June 30, 2016, 2017 and 2018, obtain the District's "Detail Distribution Detail Report" by Paycode from eFinancePlus and recalculate the total amounts for the District's Facility and Maintenance staff for the following:
 - a. Paycode 22 – Overtime (1.5)
 - b. Paycode 23 – Overtime (2x)

We obtained the District's Detail Distribution Detail Report by Paycode from eFinancePlus and recalculated the total amounts for the District's Facility and Maintenance staff without exception. No exceptions noted.

	June 30, 2016	June 30, 2017	June 30, 2018
Paycode 22 – OT (1.5)	\$ 111,190	\$ 179,440	\$ 175,563
Paycode 23 – OT (2x)	11,287	53,941	40,125
TOTAL	\$ 122,477	\$ 233,381	\$ 215,688

HUMAN RESOURCES DEPARTMENT

1. Obtain the District's list of terminated employees that were not removed from the District's insurance coverage until after June 30, 2018 and perform the following:
 - a. Verify the employee was listed on the detailed insurance benefit report for June 2018.

We were provided with District's list of terminated employees that were not removed timely from the District's insurance coverage. That list totaled 132 employees. Two (2) of the 132 employees could not be traced to the District's health insurance roster. Exceptions noted.

- b. Compare the termination date listed by the District to the termination date listed in eFinancePlus.

Using the same list of employees as above, we attempted to compare the termination date noted by the District with the employee's termination date listed in eFinancePlus and none of the dates matched. Exceptions noted.

2. Obtain the District's list of employees that filed a grievance over concerns of their compensation and appropriate step level for fiscal year June 30, 2018 and perform the following:
 - a. Trace the employee's current step level and compensation to the HEA pay scale effective for fiscal year 2017-2018.

We obtained the list of employees that filed a grievance over concerns of their compensation. The list included twenty-eight (28) employees. We were able to trace the salary amount provided by the District to the HEA contract pay scale effective for 2017-2018 without exception. No exceptions noted.

- b. Trace the employee's actual salary amount to eFinancePlus effective for 2017-2018.

Using the same list of employees as the step above, we were able to trace twenty-five (25) out of twenty-eight (28) employees' salary amount to eFinancePlus. Three (3) exceptions were noted.

- c. Recalculate the difference between the employee's current step level and compensation and their actual salary amount in eFinancePlus effective for 2017-2018.

Using the same list of employees as the two previous steps above, we were able to recalculate the difference between the employee's current step level and compensation to the employee's actual salary in eFinancePlus for 2017-2018. We noted ten (10) employees were being overpaid, while nine (9) employees were being underpaid. Exceptions noted.

# of Employees Tested	Overpaid	Underpaid	TOTAL
9	\$ 0	\$ 0	\$ 0
10	51,541	0.00	51,541
9	0	(13,094)	(13,094)
28	\$ 51,541	\$ (13,094)	\$ 38,447

PAYROLL DEPARTMENT

1. For fiscal year 2017-2018, select a sample of sixty (60) employees' personnel files and perform the following:
 - a. Verify file contained a job description.
 - b. Verify file contained documentation of a college degree and/or transcript.
 - c. Verify file contained appropriate certifications or licenses.
 - d. Verify file contained continuing education documentation.
 - e. Verify file contained an Act 34 (FBI) Clearance.
 - f. Verify file contained an Act 151 (Child Abuse) Clearance

We selected sixty (60) employee personnel files for fiscal year 2017-2018 to perform the steps above. We noted the following exceptions for the steps above:

Procedures	Exceptions
Missing job description	51
Missing documentation of college degree and/or transcript	52
Missing appropriate certification or license	1
Missing continuing education documentation	11
Missing Act 34 (FBI) Clearance	18
Missing Act 151 (Child Abuse) Clearance	10

FEDERAL PROGRAMS

1. For fiscal year 2017-2018, select one (1) of the District's School Improvement Grant (SIG) schools, obtain a report from the District identifying all District personnel charged to the program and perform the following:
 - a. Select a sample of three (3) pay periods for testing.
 - b. For each pay period:
 - i. Verify the employee's hours charged to the program were supported by daily time sheets.
 - ii. Verify the payroll amounts were substantiated by semi-annual certifications as required to document time and effort specific to federal programs.

For steps (a) and (b) above, the District was able to provide a report for fiscal year 2017-2018 for all employees charged to the District's School Improvement Grant (SIG) Program for John Harris High School. We requested and received timesheet reports for the employees requested, however, the District was unable to locate the semi-annual certifications for the requested employees so that testing could be completed. Exceptions noted.

2. For fiscal year 2017-2018, select six (6) independent contractors approved by the District's school board to perform services for the District's SIG Program and perform the following:
 - a. Trace the board approved contract amount to the individual contract file.

- b. Recalculate the total amount paid to the independent contractor from the District’s check register.

For steps (a) and (b) above, we selected six (6) independent contractors approved by the District’s school board to perform services for the District’s SIG Program. These independent contractors were included as part of the sample selected previously in Step 1 under the Business Office. We traced and agreed the board approved contract amount to the individual contract without exception. We also recalculated the total amounts paid to the independent contractor from the District’s check register without exceptions. We did note that four (4) of the six (6) contracts selected were paid more than the amount approved by the District’s school board. Exceptions noted.

Contractor	Board approved contract	Amount Paid	Difference
IB – SIG	\$ 60,000	\$ 64,157	\$ (4,157)
PD – SIG	\$ 60,000	\$ 71,015	\$ (11,015)
DC – SIG	\$ 60,000	\$ 63,615	\$ (3,615)
PPL – SIG	\$ 70,000	\$ 77,280	\$ (7,280)
TOTAL	\$ 250,000	\$ 276,067	\$ (26,067)

- c. Verify the District maintained records sufficient to detail the history of procurement as required by Board Policy #626 to comply with procurement requirements under Uniform Grant Guidance (2 CFR Part 200.318 (i)).

Using the same six (6) independent contractors in the preceding steps, we noted that zero (0) out of six (6) contract files included sufficient documentation to detail the history of procurement required by Board Policy #626 and the Uniform Grant Guidance. Exceptions noted.

CHILD ACCOUNTING DEPARTMENT

1. For fiscal year 2016-2017, perform the following:
 - a. Cyber Charter Schools
 - i. Recalculate the total cash disbursements from the District’s check register for the fiscal year.

We recalculated the total cash disbursement paid to cyber charter schools without exception. No exceptions noted.

- ii. Select two (2) cyber charter schools:
 - 1) Obtain the monthly invoices and trace and agree the amount invoiced to the District’s check register.
 - 2) Obtain the monthly invoices and trace and agree the number of regular education and special education students to the approved purchase order.
 - 3) Obtain the District’s Reconciliation Report for the selected cyber charter schools and verify the District retains a signed “Charter School Student Enrollment Notification Form” for the student.

- 4) For special education students enrolled at the cyber charter schools, verify the District retains a signed "Individualized Education Plan" (IEP) for the student.

For steps (1) through (4) above, we selected two (2) cyber charter schools for fiscal year 2016-2017 and noted no exceptions for any of the procedures. No exceptions noted.

b. Charter Schools

- i. Recalculate the total cash disbursements from the District's check register for the fiscal year.

We recalculated the total cash disbursement paid to charter schools without exception. No exceptions noted.

- ii. Select four (4) charter schools:

- 1) Obtain the monthly invoices and trace and agree the amount invoiced to the District's check register.
- 2) Obtain the monthly invoices and trace and agree the number of regular education and special education students to the approved purchase order.
- 3) Select three (3) monthly invoices and verify the number of students listed on the invoice match the District's attendance sheet.

For steps (1) through (3) above, we selected four (4) charter schools for fiscal year 2016-2017 and noted no exceptions for any of the procedures. No exceptions noted.

2. For fiscal year 2017-2018, obtain the District's eSchoolPlus Average Daily Membership report for each school location calendar and the District's "Instructional Time and membership Report" submitted in PIMS to PDE and perform the following:
 - a. Trace and agree each school location's calendar data to the eSchoolPlus Average Daily membership report.
 - b. Compare each school location's calendar total to the total submitted in PIMS.
 - c. Recalculate the variance between the eSchoolPlus report and the PIMS report.

For fiscal year 2017-2018, we obtained the necessary reports and performed the procedures noted above in steps (a) through (c). We noted the following exceptions:

Schools Calendar	SIS Report	PIMS Report	Difference
ABX	17.683	17.681	0.002
Achieve 12	-	-	-
Achieve 611	41.747	41.746	0.001
ECA	121.166	121.170	(0.004)
ECAP	19.120	19.120	-
ELE	1,922.489	1,922.490	(0.001)
ELEF	402.277	402.270	0.007
EXCEL12	10.565	10.569	(0.004)
EXCEL911	27.267	27.262	0.005
GCA	12.832	12.832	-
GHS	173.012	173.005	0.007
GST	75.385	75.385	-
HALA	3.297	3.269	0.028
KDG	468.804	468.800	0.004
KDGF	129.179	129.180	(0.001)
MCA	55.855	55.854	0.001
NHSCAR	1.000	1.000	-
NHSHBG	7.022	7.023	(0.001)
PAWS	29.231	29.230	0.001
QHS	6.329	6.329	-
RHS	0.190	0.189	0.001
SCA	51.977	51.977	-
SCAP	14.440	14.438	0.002
SHS	843.218	843.217	0.001
SSE	1,863.674	1,856.587	7.087
SST	244.373	244.374	(0.001)
STORY	13.731	13.735	(0.004)
VISTA	1.000	1.000	-
YELBRE	2.922	2.905	0.017
TOTAL	6,559.785	6,552.637	7.148

3. For fiscal year 2017-2018, select the District's calendar with the largest ADM and perform the following:
 - a. Select five (5) students per grade level that were noted as withdrawn in eSchoolPlus and verify they were removed from that month's reconciliation report.

For fiscal year 2017-2018, we selected the District's calendar with the largest ADM (ELE) and performed the step above without exception. No exceptions noted.

TRANSPORTATION DEPARTMENT

1. For fiscal year 2017-2018, select two (2) monthly invoices from the District's two (2) largest transportation vendors and perform the following:
 - a. Verify the number of days charged by the vendor agree to the District's transportation calendar.

For fiscal year 2017-2018, we selected two (2) monthly invoices from the District's two (2) largest transportation vendors, we tested a total of 220 invoice line items and noted the following exceptions for step (a) above. Exceptions noted

Procedures	Line Item Exceptions	Questioned Costs
Transportation provider billed for more days than the District calendar listed.	18	\$ 17,405.25
District calendar listed more days than what the transportation provider billed for.	8	\$ (2,900.70)
No supporting documentation provided by the District to support the number of calendar days	27	\$ 25,192.00
TOTAL	53	\$ 39,696.55

- b. Trace and agree the rates invoiced to the District to the approved vendor contract.
- c. Recalculate invoice line items.
- d. Recalculate invoice total.
- e. Verify invoice was reviewed for approval prior to payment.
- f. Verify invoice total agrees to check amount.

For the same invoices tested in step (a) above, we performed the procedures identified in steps (b) through (f) without exception. No exceptions noted.

Section 2

Harrisburg City School District

**Follow-up and Current Status - Findings Related to the
October 2015 Performance Audit Conducted by**

**The Commonwealth of Pennsylvania
Department of the Auditor General**

Harrisburg City School District
Pennsylvania Auditor General October 2015 Performance Audit Follow-up

Previous Report:

Auditor General Finding No. 1: “The District Continues to Face Significant, Persistent Financial Challenges. We identified several financial benchmarks to evaluate the changes in the District’s financial position over a period of seven (7) years. Specifically, we reviewed benchmarks within each of the following general areas: the general fund balance, the current ratio, the amount of debt service, the effective tax rate, and the Charter School tuition costs.

Several of the benchmarks we reviewed reflected positive trends. The general fund balance, for instance, has increased during the period of 2007 through 2013, from \$7.6 million to \$29 million. Likewise, the current ratio, which is an indicator of liquidity, increased from 1.15 to 1.81 for the same period. Other benchmarks, however, reflected negative trends in the following areas: excessive debt service, a decrease in the collection rate of property tax revenues, also known as the effective tax rate, and significantly increased payments to charter schools.

In addition, we noted the District’s independent auditor found a material internal control weakness regarding significant budget variances. We also found fiscal problems related to the cafeteria fund.”

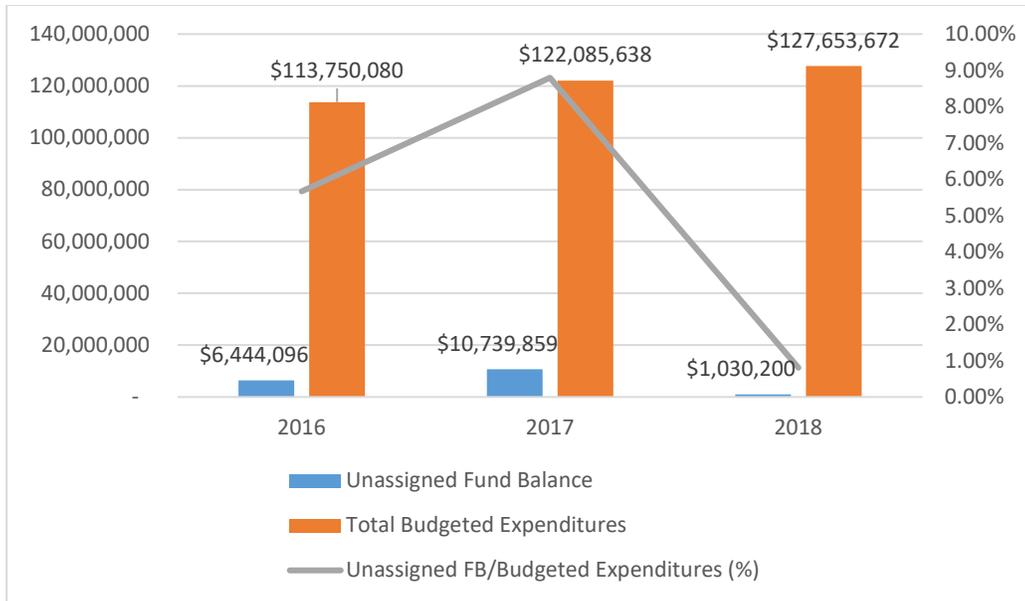
Current Status and Testing Results:

Utilizing the District’s Annual Financial Report (AFR) and annual audited financial statements for the last three fiscal years, Wessel & Company reviewed the financial challenges facing Harrisburg City School District that were previously identified by the Pennsylvania Auditor General. The six areas tested included the following:

- 1) General Fund - Fund Balance
- 2) Current Ratio
- 3) Annual Debt Service Expenditures
- 4) Effective Tax Rate
- 5) Charter School Tuition Expenditures
- 6) Annual Budget Development

General Fund - Fund Balance

As shown in the table on the next page, Harrisburg City School District’s General Fund Total Fund Balance decreased from \$30.1 million in 2015-2016 to \$19.1 million in 2017-2018. It is especially important to look at the District’s Unassigned Fund Balance as this represents the amount available for future operating expenditures. As of June 30, 2018, the General Fund’s Unassigned Fund Balance is below 5%. This results in the District’s noncompliance with the District’s Fund Balance Policy No. 620 which establishes a threshold for the General Fund Unassigned Fund Balance at 5%. If the fund balance falls below that mark, the District is required to prepare a report for the Board on how it will increase its fund balance in the future.



In addition to the District's fund balance policy, the District's Amended Recovery Plan (May 2016), includes a specific initiative (AF15) which states "The CFO shall annually prepare a fund balance report for the Budget, Finance and Facilities (BFF) Committee, in conjunction with the preparation of the District's annual budget."

Wessel & Company requested copies of the fund balance reports made and provided to the District's BFF Committee for fiscal years 2016-2017 and 2017-2018. **No such reports were received.** We also reviewed the District's website for the BFF Committee and noted the January 2017 and January 2018 agenda and meeting minutes were not available to verify if such reports were prepared or provided to the committee.

Current Ratio

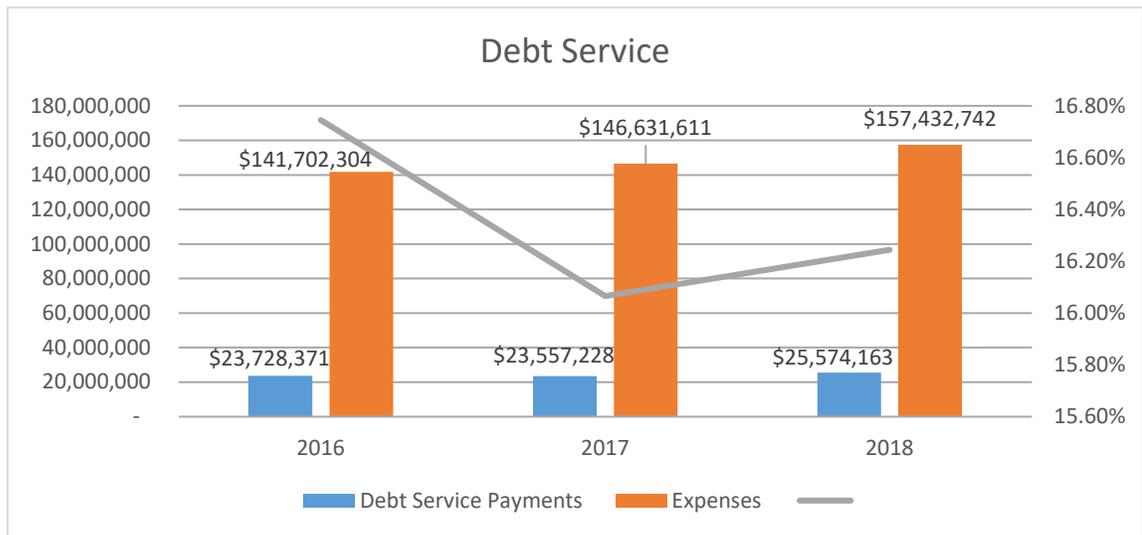
The current ratio is a formulaic expression of how much in current assets are on hand to cover current financial obligations. For example, in 2015-2016, the District had \$1.45 for every \$1 it expected to pay out. A widely used industry benchmark for the District would be to maintain a ratio above 1:1. If the current ratio declines below 1:1, it is indicative that the District could begin to experience cash flow issues because there are insufficient resources on hand to pay its obligations.

		2015-2016	2016-2017	2017-2018
(A)	Current Assets	\$ 27,083,122	\$ 19,155,411	\$ 16,522,897
(B)	Current Liabilities	\$ 19,237,656	\$ 15,466,158	\$ 19,158,497
= (A)/(B)	Current Ratio	1.45	1.24	.86

As shown above, the District's current ratio has declined in each of the last three (3) fiscal years from 1.45 in 2015-2016 to .86 in 2017-2018.

Annual Debt Service Expenditures

The Pennsylvania Association of School Business Officials (PASBO) provides extensive financial guidance to local education agencies across the Commonwealth and recommends school districts maintain debt service expenditures at no more than ten percent (10%) of general fund expenditures. As illustrated in the table below, in each of the last three (3) fiscal years, Harrisburg City School District's annual debt service expenditures exceeded 16% of general fund expenditures. **The District is not in compliance with this benchmark.**



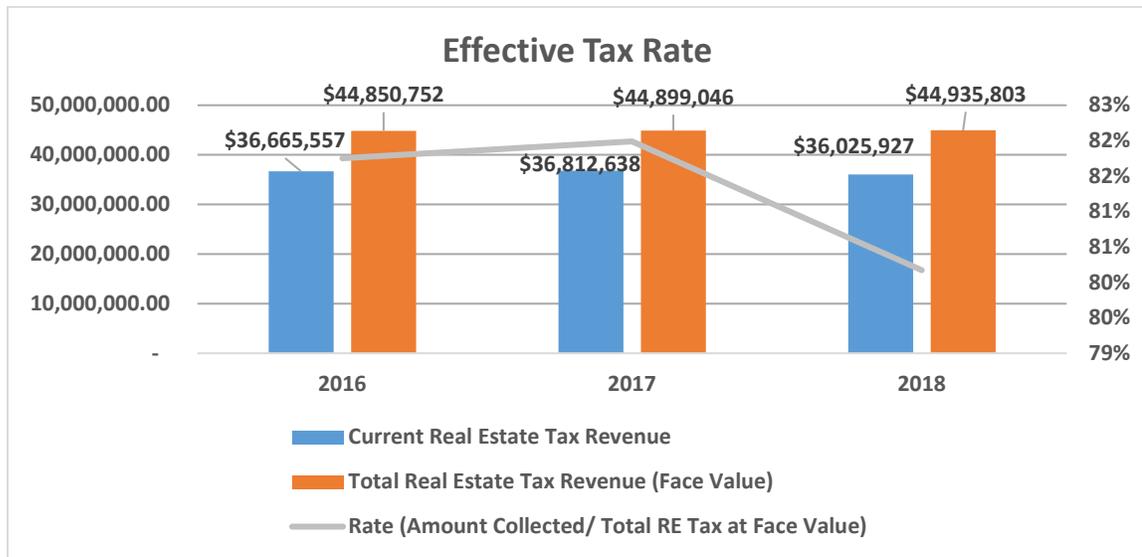
The District did develop a Board-approved, written policy and procedures to address borrowing limits, debt-service management and debt restructuring ([See Appendix for Policy No. 630 Debt Management and Capital Funding](#)).

It is the District's goal that, at any given time, at least 50% of its total outstanding debt shall mature within 15 years. **The District is in compliance with this requirement** of the policy given that the District's debt issuances have not exceeded the 25 year term requirement. As of June 30, 2018, 93% of the District's outstanding principal and interest payments were due within 15 years, which is well above the 50% requirement.

In terms of debt restructuring, the District's policy requires the District to achieve at least 3.00% net present value savings, including the cost of issuance. During the scope of our engagement, the District initiated two (2) separate refundings in 2015-2016. We received copies of a net present value savings analysis provided to the District for each of the refundings. We recalculated amounts used in the analysis and verified that **the District is in compliance with this requirement** of the policy and did achieve at least a 3.00% savings including the cost of issuance. The District did not enter into any debt restructuring during 2016-2017 or 2017-2018.

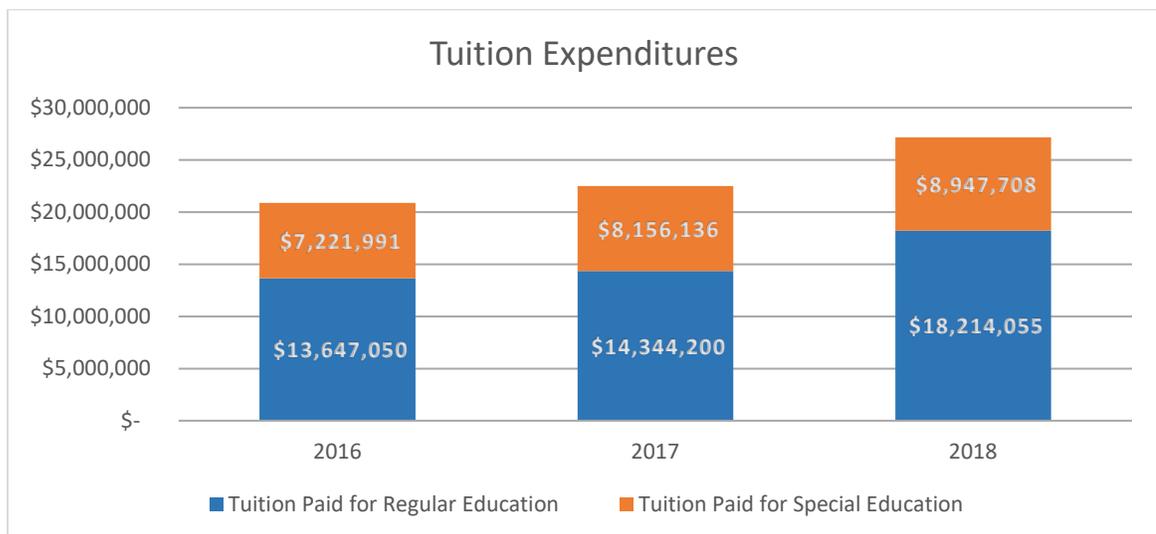
Effective Tax Rate

The effective tax rate calculates the total real estate tax revenue collected in a given year and compares it to the total face value of real estate tax collections. Given the District's financial challenges, it is important to maximize real estate tax revenue collection. As shown below, the District did see an increase in real estate tax revenue collections in 2015-2016 and 2016-2017 with an effective tax rate of 82%. In 2017-2018, the effective tax rate decreased to 80%.



Charter School Tuition Expenditures

Tuition expenditures paid to charter schools, cyber charter schools, approved private schools and other institutions have continued to increase in each of the last three (3) fiscal years. This is due in part to the increase in enrollment of charter students along with the increase in tuition rates paid for regular education and special education students.



As shown on the previous page, Charter School Tuition expenditures have continued to increase across the board for both regular education and special education students. Regular education expenditures increased by \$700,000 in 2016-2018 and \$3.8 million in 2017-2018. This significant jump was due primarily to the increase in the number of students as well as the increase in tuition rates. Tuition expenditures for Special Education increased by nearly \$800,000 every fiscal year. This increase is due to the increase in tuition rates since the actual enrollment numbers as of June 30 have decreased over the same timeframe.

	2016	2017	2018
Tuition Paid for Regular Education	\$ 13,647,050.13	\$ 14,344,199.91	\$ 18,214,054.53
Number of Students- Regular (June 30)	700	650	730
Tuition Rate Range	\$737.44 - \$783.57	\$847.25 - \$876.25	\$876.25 - \$1,074.17
Tuition Paid for Special Education	\$7,221,990.57	\$ 8,156,135.63	\$ 8,947,708.45
Number of Students- Special Education (June 30)	185	171	170
Tuition Rate Range	\$2,009.04 - \$2,036.87	\$2,229.99 - \$2,258.25	\$2,258.25 - \$2,508.74

Annual Budget Development

Over the last three fiscal years, the District has experienced significant turnover within the Business Office including one or more individuals in the following positions:

- Chief Financial Officer
- Business Manager
- Assistant Business Manager

The following represents an overview of Final Budget versus Actual Expenses:

Fiscal Year	Final Budget	Actual	Variance (\$)
2015-2016	\$ 137,775,700	\$ 141,702,304	\$ 3,926,604
2016-2017	\$ 149,426,557	\$ 147,062,230	\$ (2,364,327)
2017-2018	\$ 153,102,818	\$ 157,394,134	\$ 4,291,316

The District does have Board approved policies for budget planning (#602) and budget preparation (#603); however, the District lacks a formalized written process for the development of the District’s annual budget. Such a document would include specific procedures, reports or analysis that should be required to be prepared by Business Office personnel to support budgeted expenditures. Without such a process, the District lacks a strong internal control structure and increases the risk of overspending its resources which will negatively impact the remaining unassigned fund balance.

We recommend that the District develop a written procedures manual for each significant expenditure area that includes (1) historical financial analysis, (2) a review of current facts and circumstances impacting expenditures and (3) the documentation of assumptions taken into account for projected budgeted expenditures. This detailed walkthrough of the budget process should also document the individuals responsible for gathering and preparing the necessary documents to support the budgeted amounts. This document will provide the Business Office with an increased level of transparency and accountability over the financial budgeting process as well as aid in the event of turnover in Business Office personnel.

Conclusion:

The Auditor General's Finding No. 1 has not been corrected.

While the District has made some improvements since the Auditor General's 2015 report, all of the financial challenges are still present and limiting the District from achieving financial stability. See **Finding AG-01** below.

Finding AG-01: The District continues to face significant, persistent financial challenges.

While the District has made some improvements by developing and following a Debt Management Policy (#630), multiple financial challenges identified by the Pennsylvania Auditor General still exist as of June 30, 2018.

- 1) The District is not in compliance with its Fund Balance Policy (#620) or the District's initiative AF#15 related to fund balance as described in the Amended Recovery Plan (May 2016)
- 2) The District's current ratio has declined in each of the last three (3) fiscal years
- 3) The District's annual debt service expenditures exceeded 16% of annual expenditures in each of the last three (3) fiscal years
- 4) The District's annual charter tuition expenditures have increased in each of the last three (3) fiscal years
- 5) The District lacks a formalized written process for the development of its annual budget

Additional Recommendation:

1) CURRENT RATIO

We are aware of various reports used by the District to communicate its cash position to the Budget, Finance and Facilities Committee and School Board. We recommend that the District establish an internal process for the monthly preparation of a cash flow projection report that goes beyond reporting on the current cash position and also includes a current ratio computation.

Previous Report

Auditor General Finding No. 2: “Continual Poor Management of the District’s Cafeteria Operations resulted in the General Fund Subsidizing an Accumulated Loss of Nearly \$1.3 Million and a Remaining Fund Deficit Over \$875,000.

Chronically weak internal controls governing cafeteria fund activities - including the District’s failure to provide adequate staffing to run cash registers and account for the number of meals served - resulted in annual operating deficits in the District’s cafeteria fund. In the 2013-14 school year, the District reduced the accumulated deficit with a nearly \$1.3 million transfer from the general fund. Even after this transfer, the cafeteria fund had a remaining deficit of \$877,108 as of June 30, 2014, which may negatively affect the District’s general fund in the future.”

Current Status and Testing Results:

We performed a three (3) year financial analysis of the School District’s Cafeteria operations and noted significant financial improvement since becoming a Community Eligibility Provision (CEP) district.

In early 2014, Harrisburg School District applied for, and was granted, participation in the Community Eligibility Provision (CEP) program for providing free meals (breakfast and lunch) to all students within the school district.

The following chart summarizes the financial results reported for fiscal years ending June 30, 2016, 2017 and 2018. As noted, the Cafeteria Fund reported surplus operating funds and no subsidy was made by the General Fund to financially assist or subsidize cafeteria operations. It should be noted that in June 30, 2015, all school districts were required to adopt a new accounting standard which required District’s to report their net pension liability on the fund level financial statements. When this liability was initially recorded, it resulted in a prior period adjustment which resulted in a large negative fund balance which has nothing to do with current year operations.

School Year Ending June 30	Net Position, Beginning	Revenues	Expenses	Operating Surplus/ (Deficit)	General Fund Subsidy	Net Position, End
2016	\$(4,385,601)	\$5,223,072	\$4,367,106	\$855,966	\$ -	\$(3,529,635)
2017	\$(3,037,957)	\$5,437,320	\$5,384,851	\$ 52,469	\$ -	\$(2,985,488)
2018	\$(3,093,333)	\$5,614,594	\$5,196,768	\$417,826	\$ -	\$(2,675,507)

As shown above, the District’s Cafeteria Fund’s ending net position reflects a deficit position in each of the last three (3) fiscal years. This deficit is not attributed to operations, but rather the implementation of GASB 68, which requires the District to report long term pension obligations through PSERS that are owed to Cafeteria Fund personnel.

Meal Reimbursement Claims Testing and Results:

During 2015-2016, 2016-2017 and 2017-2018, the School District contracted with The Nutrition Group to assist with food services management and operations. However, due to performance issues and meal count errors resulting in invoicing issues and a return of funds to the Pennsylvania Department of Education, a new food service management company, Southwest Foodservice, was utilized beginning in fiscal year 2018-2019.

The food service management company's manager reconciles the daily cash register sales and provides reports to the District's Food Service Director, Ms. Beth King, for her review and approval, including the School District's monthly meal claim and reimbursement forms.

We selected and tested (3) three monthly meal claim reimbursement forms, November 2016, April 2018 and March 2019, as submitted to PDE.

We noted that two (2) of the monthly claims tested did agree with the computer generated point-of-sale reports for **April 2018** and **March 2019**. However, the monthly claim for **November 2016** had handwritten edits that lowered the monthly claim numbers and those edits were not carried forward to correct the month claim for reimbursement. Upon further discussion with Ms. King, she explained the circumstances in detail and provided sufficient supporting documentation and communications with the Pennsylvania Department of Education (PDE) related to this matter. Ms. King worked with PDE to correct the billing/meal claim overage and the excess funds received by the School District and were later returned.

Conclusion:

The Auditor General's Finding No. 2 has been fully corrected.

The financial condition of cafeteria operations appears to have significantly improved.

Management oversight, recording keeping and documentation utilized to support monthly reimbursement claims appears to have also improved. With the most significant improvement noted in fiscal year 2018 – 2019 with the District's change to a new Food Service Management Company (FSMC), and the implemented a new Point-of-Service software system. In addition, training programs were held throughout the year for cafeteria staff and management, has increased their focus and expectations related to staff accountability.

It appears that Harrisburg School District has corrected and addressed the Food Service issues and noncompliance findings identified in both the Auditor General's October 2015 Report and their Annual Single Audit.

Previous Report

Auditor General's Finding No. 3: "The District Employed Unlicensed Health Room Aides and an Uncertified School Nurse Who Provided Medical Services to Students. The District allowed unlicensed and uncertified employees to provide health services, putting its students at risk of receiving inadequate or even erroneous care. In doing so, the District also violated the Public School Code (PSC), as well as PDE's certification guidelines, and, therefore, incurred a potential forfeiture of state subsidies."

Current Status and Testing Results:

We obtained an understanding of the District's requirements and guidelines for hiring certified employees to provide health services to students. We also obtained the School Health Annual Reimbursement Request (SHARRS) reports filed by Harrisburg City School District with the Pennsylvania Department of Health for fiscal years ending June 30, 2016, 2017 and 2018. These reports list each health professional, their license type and license number.

Our testing included the following procedures:

- Verified the health professional's employment or contract with the District during the fiscal years noted to ensure they were properly certified and/or licensed
- Reviewed personnel files for evidence of licensing documents
- Verified licensing numbers and expiration dates with the PA Department of State's records via <https://www.pals.pa.gov/#/page/search>
- Verified that license and certification information is documented in the District's eFinancePlus

Of the twelve (12) licensed health professionals reported, all of the individuals were actively licensed while providing services to District students.

However, we were unable to obtain copies of licenses from personnel files, or determine what, if any, role the Superintendent's Offices had in reviewing licenses prior to hiring the individuals. We attempted to verify licensing information listed for the health professionals in eFinancePlus, however this information was not recorded in the system.

Conclusion:

The Auditor General's Finding No. 3 has not been corrected.

While there was improvement in terms of utilizing properly licensed individuals, the District did not maintain effective internal controls over documentation and monitoring of licensed health professionals.

Finding AG-02 – Internal Controls Over Licensed Health Professionals

The testing procedures performed DID NOT identify unlicensed or uncertified health service employees.

However, due to ongoing employee turnover and position vacancies in the District's Human Resources Department, there is a lack of internal controls over documentation and monitoring of licensed health professionals. The District failed to maintain copies of professional licenses in personnel files and failed to maintain documentation of the Superintendent Office's review of licenses prior to hiring. In addition to those exceptions, the District failed to utilize eFinancePlus to track health professional's license information to assist in the District's monitoring efforts.

Previous Results

Auditor General's Finding No. 4: "The District's Student Membership Data, which was submitted to the Pennsylvania Department of Education Not Only to Calculate Subsidies, but also for Educational Decision-Making, was Deemed Unverifiable, and Therefore Unreliable. The District's student membership data submitted to PDE for the school years 2008-09 through 2011-12 did not reconcile with the data records maintained by the District. As a result, the data was deemed unverifiable and, therefore, unreliable for the four-year audit period."

Current Status and Testing Results:

Wessel & Company conducted a review of the internal controls of the District's Child Accounting Department to gain an understanding of student membership data that is tracked by the District and submitted to the Pennsylvania Department of Education.

For fiscal year 2017-2018, we obtained a reports from the District's system eSchoolPlus which provided each school location calendar's average daily membership (ADM). (*The District maintains 29 calendars.*) We then obtained the District's "Instructional Time and Membership Report" submitted in PIMS and performed the following procedures:

- 1) Traced and agreed each calendar's ADM reported through PIMS to the District's report from eSchool Plus
- 2) Calculated any variances between the two reports
- 3) Selected the calendar with the largest ADM total and perform the following:
 - a. Obtained five (5) monthly reconciliation reports for the selected location
 - b. Selected five (5) students per grade that were noted as withdrawn in eSchoolPlus and verified they were removed from that month's reconciliation report so that ADM data is calculated accurately.

Overall, the difference between eSchoolPlus and PIMS was 7.148 with the majority of the difference related to the SSE calendar (Melrose, the District's second largest location). Other variances appear to be due to rounding differences between the two reports.

Calendar	ADM Per eSchoolPlus	ADM Per PIMS	Variance
ELE	1,922.489	1,922.490	(0.001)
SSE	1,863.674	1,856.587	7.087
All others (27)	2,773.622	2,773.560	0.062
Total	6,559.785	6,552.637	7.148

As noted above, we selected the ELE calendar to verify whether or not withdrawn students were removed from the monthly reconciliation reports in a timely manner. Overall, we tested 20 withdrawn students and noted no exceptions. Two (2) of the grade levels for ELE did not have withdrawn students for the months tested (August through November 2017 and March '18).

Conclusion:

The Auditor General's Finding No. 4 has been partially corrected.

Finding AG-03 – Reconciliation of District Membership Reports

The District has made significant improvements within its Child Accounting Department. However, the ADM totals from the District's membership reports do not fully reconcile to the PIMS report submitted to the Pennsylvania Department of Education. We recommend that the District's Child Accounting Department continue to refine its policies and procedures to ensure that student data is properly accounted for and the two reports fully reconcile.

Previous Report

Auditor General's Finding No. 5: "The District's Continued Failure to Implement Stronger Access Controls, Require a Non-Disclosure Agreement, and Develop a Disaster Recovery Plan Weakened Data Security. As of the end of the 2013-14 school year, District personnel had not taken corrective action as recommended since 2005 regarding the following important computer controls: implementation of access controls to include adequate password syntax requirements and timed log-outs after inactivity, amendment of a software vendor agreement to include a non-disclosure agreement, and development and implementation of a disaster recovery plan."

Current Testing and Results:

We conducted interviews with Mr. Craig Glass, Information Technology Manager, who has been with the School District for 15 years, and Adam Nornhold, Information Technology Network Manager, who has been with the School District for approximately 13 years. The following summarizes some of the highlights from our discussion.

Harrisburg School District currently has a digital backup process in place through Capital Area Intermediate Unit (CAIU). This solution was determined to be the most economical solution for the District at the current time.

Mr. Glass, developed a 5-year, district-wide Capital budget plan for Internal Technology needs, which is updated annually as a part of the Information Technology Department's annual budget process.

The District did hire a third party to perform a penetration test to determine if an outside user could breach the District's security system and firewalls, and no security breaches were accomplished.

Mr. Glass utilizes Costars vendors for the major of the District's Internal Technology software and hardware purchases. However, he is aware of District's purchasing policy and bid requirements when a Costars vendor is not available.

In October 2015, the IT Department implemented stronger password requirements for all staff members, which continues to remain in effect in 2019. The District requires passwords to be reset every (30) thirty days.

We reviewed the District's three largest software vendor contracts and noted that all of the contracts did contain confidentiality or non-disclosure clauses in their signed agreements.

Conclusion:

The Auditor General's Finding No. 5 Has been partially corrected.

Both password security controls and non-disclosure clauses for software vendors have been implemented; however, the District has not yet developed a formal Disaster Recovery Plan.

Finding AG-03 - Disaster Recovery Plan

The District has not developed and implemented a formal written Disaster Recovery Plan. While the District has developed and implemented a digital off-site solution in case of a disaster, we recommend that the District develop a written Disaster Recovery Plan that provides specific directions and procedures that would provide for the restoration of the District's technology infrastructure in the event of a disaster.

Section 3

Harrisburg City School District

Internal Control and Oversight Responsibility Assessment

Harrisburg City School District
01 - District Overview
Internal Control and Oversight Responsibility Assessment

Wessel & Company was engaged by the Pennsylvania Department of Education (PDE) and tasked to perform specific duties and to include an assessment of Harrisburg City School District's internal controls and commitment to comply with policies and procedures; to determine the District's effectiveness regarding financial management oversight and to determine the operational effectiveness of School District Management as well as their commitment to compliance with both external and internal policies and procedures.

The information provided in our report as well as our assessments and findings are supported by factual evidence and documentation.

COSO's Internal Control Integrated Framework VS. [Harrisburg City School District's Internal Controls](#):

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is known and recognized around the world for producing the leading framework for designing, implementing, and conducting internal control. This framework is commonly used to evaluate and assessing the effectiveness of internal. ([See Appendix for a copy of the COSO document](#))

According to COSO's integrated control framework, a proper system of internal controls creates a discipline that supports the mitigation of an entity's assessed risks to further achieve the entity's objectives. The entity's Board of Directors (BOD) and Senior Management are responsible for establishing the proper tone at the top.

Positions classified as Senior Management are primarily responsible for reinforcing expectations throughout the organization.

The BOD is responsible for ensuring that the proper "tone at the top" is being established by members of the Board and being properly conveyed by Senior Management throughout the entire organization.

According to COSO, an organization that demonstrates a commitment to integrity and ethical values typically does the following:

- ❖ Sets the "Tone at the Top"
- ❖ Establishes standards of conduct
- ❖ Evaluates adherence to standards of conduct
- ❖ Addresses deviations from policies and standards in a timely manner

Harrisburg School District's Culture and Internal Control Environment

The School District's Senior Management includes individuals in the following positions:

- Superintendent ([Position is filled by Dr. Sybil Knight- Burney](#))
- Chief Financial Officer ([Position has been **Vacant**](#))
- Business Manager ([Position is currently filled by Acting Business Manager, Bilal Hasan](#))
- Human Resources Manager/ Department ([Position has been **Vacant**](#))
- School Principals/ Assistant Principals

Responsibilities of an Entity's Board of Directors:

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), an Entity's Board of Directors (BOD) are responsible for evaluating the competence in its Senior Management. **Competence requires the following:**

- ❖ Knowledge, skills, and expertise needed to carry out the requirements of the job
- ❖ Nature and degree of judgment and limitation of judgement held by a particular position
- ❖ Cost benefit analysis between different levels of skills and experience

Competence is gained mostly from professional experience, training, and certifications. Attitude, knowledge and behavior effects how individuals carry out their responsibilities. If shortcomings arise due to staffing levels, expertise or a combination of other factors; management is responsible for acting on shortcomings in a timely manner.

The Board of Directors and management have a responsibility (commitment to competence) to attract, develop, evaluate, and retain individuals that are conducive to the goals of the entity.

Tone is impacted by the operating style and personal conduct of the Board of Directors (BOD) as well as Management. The BOD and Management's attitudes towards risk, conservative or aggressive positions, and degree of formality, sends a message throughout the organization. A consistent tone from the BOD and Management assists in developing an understanding of the values, mission, and expected behavior of employees throughout the school district.

"Tone at the Top" is fundamental to a properly functioning internal control system. A strong tone at the top supports a culture of strong internal controls, in which rules and policies are adhered. Entities without a strong "tone at the top" can lead to negative outcomes such as:

- ❖ Inappropriate responses to known risks.
- ❖ Control activities not being followed throughout the organization.
- ❖ Information that does not get communicated throughout the organization.
- ❖ Results from monitoring activities that are not communicated appropriately to correct individual so that they can be acted upon.

Through our work and testing performed, discussions with various levels of Management and district employees, we gained an understanding of the District's Culture set by Management and have deemed Harrisburg City School District's leadership to be ineffective. They have displayed poor decision making and have not placed enough attention on increasing student performance or improving financial results.

The tone set by Management has a trickle-down effect on employees. If the tone set by Management upholds ethics and integrity, employees will be more inclined to uphold those same values. However, when Senior Management appears unconcerned with ethics and accountability and have not place enough emphasis on executing initiatives identified in the Recovery Plan, employees tend to feel that ethical conduct and accountability is not a focus or priority within the organization.

The result of poor leadership has created a **Very Poor "Tone at the Top."** Our conclusion is supported with specific examples of situations and findings noted throughout our report.

Much of the information used to make our assessment came from **reviewing various news articles, School Board and Committee meeting minutes** and the **unwillingness of Management** to work with us to provide information requested in a timely manner.

News Articles Reviewed:

1. *Vendel, C. (2018, October 31). Harrisburg school board defends dismissal of former business manager. PennLive. Retrieved from www.pennlive.com.*

This article summarized the events behind former CFO Kenn Medina's demotion to Federal Programs Administrator. Mr. Medina was at the time, the seventh business manager to hold the position under the tenure of Superintendent Sybil Knight-Burney.

The article states that Mr. Medina received a satisfactory performance review in February that included a \$1,800 raise. However, 10 days after receiving the satisfactory review and raise, Mr. Medina was placed on administrative leave.

Mr. Medina believes that he was removed from the position of CFO because he "inquired of Dr. Sybil Knight-Burney about a contract that was awarded to former Assistant Superintendent, Barbara Hasan." Mr. Medina further noted that Bilal Hasan (Barbara Hasan's son) was appointed interim business manager after his demotion.

A right to know request was filed by a local community group regarding a copy of Bilal Hasan's resume and associated qualifications and experience. However, Harrisburg School District denied the request stating that "no records exist."

Finding #1 - Failure to Attract, Develop, and Retain Competent Key Management

During the course of audit field work, Wessel & Company had the opportunity to review various employee files, which are maintained by the District's Human Resources Department. A copy of Bilal Hasan's transcript was reviewed during our audit, and we noted his lack of accounting education and required skill sets necessary to perform Business Manager Duties for a school district.

Our assessment of Mr. Hasan's lack of abilities to perform Business Manager or Assistant Business Manager Duties will be demonstrated and explained throughout this report through findings reported in future sections.

In addition, we noted Harrisburg City School District's excessive employee turnover in key management position, longer term vacancies in key management position and their retention of non-qualified employees in key management positions. The School Board's lack of oversight in this area has hindered Harrisburg City School District's ability to make positive progress and move the District forward out of Recovery Status.

2. *Thompson, C. (2019, March 18). Effort to hire an in-house school district solicitor exposes old fault lines in Harrisburg School Board. PennLive. Retrieved from www.pennlive.com.*

This article summarizes the efforts of Chief Recovery Officer Janet Samuels to ensure that the BOD is following the best practices when for solicitation of professional services. The article notes that Dr. Samuels and Board President Danielle Robinson got into a brief argument over the moral character of one of the two candidates that applied.

The article further lays out instances where candidate Attorney James Ellison's displays instances that blemish moral character. Attorney Ellison played a central role in outing former Harrisburg Superintendent Gerald Kohn. The work performed by Attorney Ellison led to Mr. Kohn's successful 2.4 million dollar wrongful termination suit settlement against Harrisburg School District.

Mr. Ellison's reputation also includes acquisitions against his former firm for overbilling and giving unsound legal advice to Coatesville Area School District. This legal battle ended with Attorney Ellison's former firm paying \$420,000 as a settlement.

Despite Attorney Ellison's questionable reputation, the Harrisburg School BOD held a special meeting on April 15, 2019 in which it voted 5 to 4 in favor of hiring Attorney Ellison as the full time legal counsel to Harrisburg School District.

Finding #2 – Hiring Legal Professional with Questionable Reputation

The Harrisburg City School District School Board's hiring of Attorney Ellison, whom has displayed many moments of questionable moral character, further supports our assessment of the District's poor "tone at the top."

We believe such decisions greatly impacts the culture of the entire organization. Employees and Senior Management are led to believe that even if they act with questionable moral behavior, and are friends or relatives of certain Board Members or Senior Management, they will not be penalized, or will be given a second chance, just as with Attorney Ellison.

3. *Vendel, C. (2018, April 18). Harrisburg school board votes down resolution to comply with state auditors. PennLive. Retrieved from www.pennlive.com*

This article summarizes the Harrisburg City School District's BOD's refusal to comply with Wessel & Company's audit requests. The BOD received a letter on March 27, 2019 from the PA Department of Education signed by Secretary Pedro Rivera. Secretary Rivera made clear in his letter that the Department of Education and its auditors (Wessel & Company) have the authority to look at any and all financial records.

Acting Business Manager Bilal Hasan stated that he was concerned with providing access to the eFinance system due to it containing confidential information such as social security numbers and bank routing numbers of employees. Mr. Hasan also noted that he was advised by legal counsel to not provide access to the eFinance software.

Finding #3 – Violation of District Policy No. 828 Fraud

Wessel & Company experienced significant delays in obtaining information and documents requested. In addition, we were not provided log-in access to electronic software systems, such as eFinancePlus in a timely manner. The District's lack of cooperation and timely responsiveness resulted in significant additional time and costs to complete the agreed upon procedures and additional tasks and objectives sought by PDE.

In addition, Management's continued delays and lack of cooperation, violates the District Fraud Policy No. 828, **specifically the following section of the policy, excerpt included below:**

9. Failure to provide financial records to authorized state or local entities.
10. Failure to cooperate fully with any financial auditors, investigators or law enforcement.

Discussions with District Management and Employees:

Throughout the course of our on-site fieldwork at Harrisburg City School District's many locations (Lincoln School, Rowland School, and Harrisburg School District's maintenance building), auditors from Wessel & Company had the opportunity to meet and speak with many employees in management positions and at various employment levels. Based on those communications, we make the following conclusions relating to the overall culture exhibited across Harrisburg City School District:

1. Top-Level Management (Superintendent, Acting HR Director, Acting Business Manager) - Individuals in these positions believe that the district overall is running smoothly and effectively. They choose to place blame on others for processes that are inefficient or not being performed at all.
2. Mid-Level Management (HR Assistants, Payroll Supervisor, Principal's and Assistant Principals) - Individuals in these positions typically voiced concerns about processes, procedures, and a lack of communication. Most of them believe that the flow of information does not exist between Mid-Level and Top-Level Management.
3. Employees - Individuals in these positions know that Harrisburg City School District has severe financial issues. These employees were focused on only doing their job and did not show concern for tasks that are not being completed. Employees reflected Top-Level Management's thinking of "it's someone else's responsibility."

Harrisburg City School District does not effectively communicate or share information throughout the entire School District, resulting in excessive waste and abuse of financial resources.

We offer the following specific examples of financial waste:

Example 1: Ms. Hegedus, Payroll Supervisor, provided us with evidence of her communication and concerns regarding excessive and increasing overtime costs with the custodial staff. Ms. Hegedus's reported her findings to the Acting Business Manager on several occasions. Her attempt to monitoring payroll costs were ignored and never acted upon. As a result Harrisburg City School District experienced a significant increase in payroll costs and overtime expenses for District employees who are to be managed by the District's outsourced Facilities Maintenance and Management Company, Aramark.

Example 2: Lack of Budget to Actual monitoring activities; we noted significant budget versus actual cost variances and escalating vendor costs. The Business Office is responsible for monitoring financial activities, but was unable to provide us with reports or sufficient evidence that such monitoring of costs are occurring on a routine basis. In addition, we noted that contracts approved and awarded by the School Board “with contract caps” are not being monitored. We quantified excess payments made to vendors in excess of the approved contract maximum limit exceeded \$210,000.

According to COSO, an Entity’s control environment is influenced by both internal and external factors, these factors in turn affect the Entity’s culture and values. The following items contribute to an Entity’s ability to maintain an ethical environment with strong standards of conduct:

- ❖ “Tone at the top” that does not effectively convey expectations regarding adherence of standards
- ❖ Board of Directors do not provide impartial oversight of Senior Management’s adherence to standards
- ❖ Decentralization and inadequate oversight throughout the organization
- ❖ Channels for employees to safely report questionable acts or concerns, do not exist
- ❖ Failure to address non-existent or ineffective controls, allowing the concealment of poor performance
- ❖ Inadequate process for the investigation and resolution of misconduct
- ❖ Penalties for improper conduct that are inconsistently applied or unpublicized

Harrisburg City School District has a history of inadequate “Tone at the Top” and poor ethical values. The School Board fails to effectively convey expectations regarding their adherence to standards when they “rubber stamp” the approval of contracts and/or new hires.

The Board of Directors are unable to provide impartial oversight of Senior Management when they allow relatives to work with or under Senior Management.

Harrisburg City School District does not provide employees with anonymous channels to report concerns, or provide information regarding waste, abuse or irregularities.

During the course of Wessel & Company’s procedures, there were two individuals that were the most helpful with answering questions, providing documentation, and providing other general assistance throughout the audit process. One (1) employee was put on paid leave, while the services of the other subcontracted individual were abruptly terminated.

Management at Harrisburg City School District displayed an inadequate process for providing documentation, access, and explanation during the investigation of misconduct. This was demonstrated by their withholding of access to the eFinancePlus software and other documentation requested during the audit process.

Harrisburg City School District’s Board of Directors and Senior Management do not consistently reprimand employees for improper conduct. Examples of this include a Principal changing students grades, as well as Top-Level Management and the BOD believing that there would not be any penalties or punishment for withholding information and access requested by state appointed auditors.

Harrisburg City School District
02 - School Board
Internal Control and Oversight Responsibility Assessment

An entity's Board of Directors are responsible for evaluating the competence in its Senior Management. Competence requires the following:

- ❖ Knowledge, skills, and expertise needed to carry out the requirements of the job
- ❖ Nature and degree of judgment and limitation of judgement held by a particular position
- ❖ Cost benefit analysis between different levels of skills and experience

Competence is gained mostly from professional experience, training, and certifications. Attitude, knowledge and behavior affects how individuals carry out their responsibilities. If shortcomings arise due to staffing levels, lack of expertise, or a combination of other factors, Management is responsible for acting on shortcomings in a timely manner.

The Board of Directors (BOD) and Management have a responsibility (commitment to competence) to attract, develop, evaluate, and retain individuals that are conducive to the goals of the entity.

Assessment of Harrisburg's School Board's Adherence to their Responsibilities

The School Board is the District's Board of Directors, they serve a vital role in providing leadership for district schools, serving as a forum for citizen input relevant to public education, and inculcating the beliefs, behaviors, and symbolic representations that define the organizational culture of the school system. They are charged with being constantly aware of the concerns and desires of the whole community regarding the quality and performance of the school system as well as being accountable and good stewards of the district's tax dollars.

Based on test results from procedures performed, review of board meeting minutes, information gathered and discussions with district employees, the School Board has not provided the leadership necessary and have not been good stewards of the District's resources. The Board has not complied with Board Policy No. 11-Board Governance Standards/Code of Conduct Policy in the following areas: [\(See Appendix for entire Board Policy No. 11\)](#)

- 5. Ensuring strong management of the school system by hiring, setting goals with and evaluating the Superintendent.
- 6. Employing qualified staff to meet student and program needs.

- 7. School Boards must balance their responsibility to provide educational programs with the need to be effective stewards of public resources.

School Board's Duty - Annually Evaluate the Superintendent

Our review of the Superintendent's annual evaluations for fiscal years 2015-2016, 2016-2017, and 2017-2018, Dr. Sybil Knight-Burney was rated either "Exemplary" or "Proficient" from School Board Members for every category in each of the last three (3) annual reviews.

A member of the public addressed concerns about Dr. Sybil Knight-Burney's high ratings when Harrisburg School District ranked 491 out of 496 schools in the State of Pennsylvania, with low proficiency scores. In addition, this individual cited the "grade changing scandal" and the "constant confusion and chaos in the district."

Harrisburg School Board utilizes a generalized evaluation checklist that lacks specific measurements, such as:

- Achievement of annual measurable objectives established by the school district
- Achievement on Pennsylvania System of School Assessment (PSSA) tests
- Achievement on Keystone exams
- Student growth measured by the Pennsylvania Value-Added Assessment System
- Attrition rates or graduation rates
- Financial management standards

Finding SBR – 01 Based on cumulative below average student test scores, decreased student enrollment, increased enrollment at charter schools, significant financial deficient operations and turnover and vacancies in key management positions. We believe that the Harrisburg School Board failed to properly rate and evaluate Superintendent Dr. Sybil Knight-Burney.

Leadership is critical to an organization's success. We recommend the School Board incorporate key measurement targets and a 360 peer evaluation process in future Superintendent Evaluations to increase leadership accountability.

School Board's Duty - Employ Qualified Staff

Wessel & Company reviewed the job descriptions of key financial management positions and noted the following for the Business Manager and Chief Financial Officer positions:

Harrisburg City School District updated various job descriptions in February 2018. When reviewing the new job description with the previous job description, and then with job descriptions of comparable school districts, we noted many material differences:

a. Education requirement:

- [New Job Description - Business Management, Accounting, or related field](#)
- [Original Job Description - Business Administration, Finance, or Accounting](#)
- [Comparable School Districts Job Description - Business Admin or Accounting, MBA and/or CPA Preferred](#)

Finding SBR – 02 Mr. Bilal Hasan, Acting Business Manager, has a Bachelor Degree in Information Management Systems and does not meet the qualifications necessary to perform the role of Business Manager.

The **New** Business Manager job description significantly decreased the minimum training and experience requirements of the position. **Items removed from the new job description, but included in the original job description include the following:** (See [Schedules SBR 02-1 and SBR 02- 2 for the New and the Original Business Manager Job Descriptions.](#))

- Knowledge of School Business accounting and financial procedures (GAAP) preferred
- Knowledge of budget development and payroll preferred

- Knowledge of student transportation preferred
- Knowledge of food services preferred
- Knowledge of computer systems operations preferred
- Knowledge of procurement and inventory preferred

Finding SBR – 03 Based on our review of Bilal Hasan’s college transcripts from the Delaware State University, Mr. Hasan has only had two (2) entry level accounting courses. He does not have the degree or the knowledge necessary to perform the Acting Business Manager role. Per review of eFinancePLUS and his personnel file, there were no continuing education courses from PASBO noted that would provide specific school district related training.

Wessel & Company provides accounting and auditing services to multiple school districts throughout the state. From our experience it is imperative that a school district business manager has significant experience in the following areas:

- ❖ Knowledge of Generally Accepted Accounting Principles (GAAP)
- ❖ Knowledge of COSO’s Internal Control Framework
- ❖ Knowledge of Fund Accounting
- ❖ Knowledge and experience in Budgeting
- ❖ Experience in planning and implementing financial strategies
- ❖ Maintain accurate financial reports and records
- ❖ Evaluate key performance indicators
- ❖ The ability to perform financial analysis

The Board of Directors and Senior Management have the responsibility to establish performance measures, incentives, and other rewards that are appropriate for responsibilities at all levels of the entity.

School Board’s Duty - Fill Key Management Positions

Harrisburg City School District has had significant turnover in key management positions and has not taken the appropriate and necessary steps to attract, develop, evaluate, or retain those individuals. The following key positions have been vacant for months:

- Chief Financial Officer
- Human Resources Director
- Business Manager - with the knowledge, skills or expertise necessary to adequately handle the day to day operations of a school district
- Assistant Business Manager

Finding SBR – 04 Based on our review of Board meeting minutes, it does not appear that the School Board is making a strong enough effort to fill key management positions with competent qualified individuals. Thereby not fulfilling their duty to effectively manage the District’s resources.

School Board's Duty – Ensure Compliance With Other Board Approved Policies

During our examination, we noted that District staff had difficulty locating multiple records, such as, vendor contracts, bid documentation, time and effort documentation required by federal grants, employee data and licensure documents.

Harrisburg City School District's Records Management Policy requires a Record Coordinator be tasked with the responsibility for developing a Records Management Plan that complies with federal and state laws and regulations and Board Policy. It also requires that a comprehensive record retention schedule be developed and a Records Management Committee be formed.

Finding SBR – 05 Noncompliance With Records Management Policy No. 800

The Superintendent has not complied with the Board's Records Management Policy. A committee has not been formed, a Records Coordinator has not been appointed, and a Records Management plan has not been developed.

NEW



Business Administrator - Harrisburg SD Job Description

JOB INFORMATION

Title: Business Administrator - Harrisburg S D
FLSA: X Exempt Non-Exempt
Employee Group:
Additional Job Codes:
Shift:
LastEditedOn: 2/2/2018 9:19:03 AM
Locations:

ORGANIZATION

County: Dauphin
Entity: Harrisburg S D
Department: Business Office
Enrollment: 0
Reports To: Chief Financial Officer

JOB SUMMARY

Business Manager to administer the business affairs of the district in such a way as to provide the best possible educational services with the financial resources available. **Maintains accurate and comprehensive financial records required to carry out duties.**

Essential Functions

Essential Functions	% TIME
Responsible for the management of various functions of the business services division, including but not limited to budget and finance, business services, facilities, payroll, accounting, purchasing, food serviced, transportation or other assigned areas.	20%
Supervises a program of accounting and reporting for the financial affairs of the District to include, appraisal of existing accounting and financial policies and procedures as to their adequacy and effectiveness; and preparation of a District-wide plan for the management of school activity, student body, and school-based internal funds. Continuously monitors and implements effective procedures to safeguard all such funds	15%
Develops budget, financial projections, cash requirements and funds available for current needs, investing funds to maximize earnings in compliance with and within the limitations of District policy and legal restrictions and reviews Title 1 and other financial and compliance issues with Superintendent.	15%
Manages accounting services essential to the preparation, administration and control of the budget, reconciliation of bank accounts and checks, submission of special budget reports and Referendum Exception Reports to PDE, budget transfers; and adds new account numbers, capital assets for GASB 34 Fixed Asset reports and depreciation schedules for Fixed Assets.	15%
Oversees preparation of Treasurer's Report, Tax Reports, various financial reports as assigned to include, Act 80, funding for charter schools, and the Unclaimed Property Tax Report for Pennsylvania, Payroll and Activity funds and balance sheet, expenditure and revenue reports for the Board.	10%
Oversees processing invoices and receipts; establishes controls for transfer of budgeted funds, as requested by program directors, department heads, and school administrators; and completes, monitors, and reports the activities applicable to state and federal funded activities.	10%
Conducts pre-audit reviews, arranges for audits of accounts and records by local auditor and provides information to local and state auditors, as requested.	5%
Demonstrates understanding of and abides by specified assurances and requirements in all government programs, public or private grants and public or private contracts. Provides budget support for federal grants.	5%

Essential Functions

Essential Functions

% TIME

Abides by, monitors and enforces staff compliance with federal, state and local school laws and regulations, mandated programs, District policies and administrative regulations and applicable collective bargaining agreements and compensation plans with District employees.

5%

Performs other duties as assigned.

Performs in accordance with school policy, administrative regulations, state and federal laws.

QUALIFICATIONS

To perform this job successfully, an individual must be able to perform each essential duty satisfactorily. The requirements listed below are representative of the knowledge, skill, and/or ability required. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

Education

Education Level	Education Details	Req	Pref
Bachelors Degree	Business management, accounting, finance or a related field	X	

Work Experience

Experience	Experience Details	Req	Pref
5-7 years	relevant experience with public school business and administrative functions.	X	Or
5-7 years	relevant experience	X	

Driver's License

X Valid Driver's License Required

TRAVEL REQUIREMENTS

Est. Amount Brief Description

10%

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

Standard ADA Settings

X Office
 Standard ADA Selection Classroom
 Other(to include Physically Demanding Positions)

This factor measures the strength and stamina required in areas such as lifting, standing, and the frequency of doing these as necessary to perform the particular duties of the job.

Physical Demands

The physical requirements described here are representative of those that must be met by an employee to successfully perform the essential functions of this job.

Physical Demand	Rarely	Occasionally	Frequently	Constantly	Weight
<input checked="" type="checkbox"/> Sitting			X		
<input checked="" type="checkbox"/> Standing		X			
<input checked="" type="checkbox"/> Walking		X			
<input checked="" type="checkbox"/> Talking: On the phone; person-to-person, and in groups				X	
<input checked="" type="checkbox"/> Hearing: On the phone; person-to-person, and in groups				X	

Physical Demands

The physical requirements described here are representative of those that must be met by an employee to successfully perform the essential functions of this job.

<i>Physical Demand</i>	<i>Rarely</i>	<i>Occasionally</i>	<i>Frequently</i>	<i>Constantly</i>	<i>Weight</i>
<input checked="" type="checkbox"/> Vision: Near, midrange, far, peripheral, depth and color			X		
<input checked="" type="checkbox"/> Driving Requirements (personal vehicle, and/or company vehicle):		X			
<input checked="" type="checkbox"/> Machines or tools used: Computer:				X	
<input checked="" type="checkbox"/> Machines or tools used: Telephone				X	
<input type="checkbox"/> Pushing/Pulling/Lifting(Enter Weight)					

The school recognizes that reasonable accommodations must be made to enable a qualified individual with a disability or disabilities to perform the essential duties and responsibilities of this job.

Working Environment

Working Condition

<input checked="" type="checkbox"/> Typical Office Environment
<input checked="" type="checkbox"/> Subject to inside environmental conditions
<input checked="" type="checkbox"/> Subject to outside environmental conditions

Harrisburg School District Office of Human Resources Job Description

Position Title: Business Manager

Department: Administration

Reports To: Superintendent of Schools

Salary and Benefits in accordance with Compensation-Based Performance Appraisal System and Fringe Benefit Program for Act 93 and Other Designated Administrators.

Purpose of Position

Serve as a member of the Superintendence Team with the specific responsibility for all business services and business operations of the school system.

Essential Duties and Responsibilities:

- Responsible for management of various functions of the business services division, preparation of financial reports and preparation of necessary information for school facilities, construction and operation.
- Responsible for accounting of all revenues and disbursements, procurement of inventory control, transportation services, food services, data processing, security services, office management, financial planning and budgeting.
- Organize, maintain and improve the accounting of all funds in accordance with rules and regulations as prescribed by the Commonwealth of Pennsylvania.
- Budget compilation and budget control, as well as long-term fiscal planning.
- Serve on management team for all collective negotiations, preparing the pertinent fiscal data.
- Organize, maintain and improve procurement, warehousing, distribution, inventory and control systems for supplies and equipment.
- Organize, maintain and improve pupil transportation services including:
 - 1 Secure contracts with and supervise operation of public conveyors.
 - 2 Organize and determine transportation paddleboard.
 - 3 Recommend for employment and train bus drivers for district-owned buses.
- Organize, maintain and improve cafeteria services.
- Organize, maintain, manage and improve Management Information Services so as to facilitate effective decision making.
- Organize, maintain and improve security services.
- Prepare the necessary supporting reports for new school building construction.
- Determine the propriety, legality and accuracy of all financial transactions through a system of pre-audit and internal control procedures.
- Coordinate the collection and reporting of local taxes through contracted tax collectors.
- Prepare all financial reports which are directly or indirectly related to the function of the school:
 - 1 Prepare reports which are necessary to support the decisions of good management.
 - 2 Prepare reports as requested by the Superintendence Team.
- Supervise the following departments and personnel: Chief of Accounting, Chief of Food Services and Chief of Technology.
- Manage business services with activities of other school system divisions and contractual services with activities of other school system divisions.
- Evaluate personnel listed in Item #15.

Additional Job Functions

- Perform other related duties as required.

Minimum Training and Experience Required to Perform Essential Job Functions

- Bachelor's Degree in Business Administration, Finance of Accounting.
- Knowledge of school district operations preferred.
- Knowledge of school business accounting and financial procedures (GAPP) preferred.

- Knowledge of budget development and payroll preferred.
- Knowledge of student transportation preferred.
- Knowledge of food services preferred.
- Knowledge of computer systems operations preferred.
- Knowledge of procurement and inventory preferred.

Knowledge, Skills and Abilities Required to Perform Essential Job Functions

Physical Capabilities:

- Must be able to stand three hours at one time.
- Must be able to sit one hour at one time.
- Must be able to walk one hour at one time.
- Must be able to stand three total hours.
- Must be able to sit one total hour.
- Must be able to walk four total hours.
- Must occasionally be able to bend/stoop, squat, crouch, kneel, climb, balance and reach above shoulders.
- Must frequently carry up to 10 pounds. Must occasionally carry between 11 and 40 pounds.
- Must frequently lift up to 10 pounds. Must occasionally lift between 11 and 40 pounds.
- Must use both hands for repetitive actions such as simple grasping, firm grasping, pushing/pulling, fine manipulation, writing or printing, twisting/turning and feeling.
- Must use head and neck in static position, frequent flexing and rotating.
- Must be able to operate television, VCR (play, record and duplicate materials), auditorium sound system, photocopier, duplicator, computer, printer, PA system and paper punches.
- Must be able to adapt to a fast-paced environment which requires many quick and accurate decisions, excellent communication skills, both oral and written. Must be able to perform as a leader.

Physical Environment:

- Position encompasses entire district and grounds of the district. Center of operation is the Administration Building.

I have read and understand the above job description outlining my duties and responsibilities.

Signature of Employee

Date

Copies: Employee
Personnel File

Revised by jcheatham-3/18/2011

**Harrisburg School District
Office of Human Resources
Job Description**

Position Title: Business Manager	Salary and Benefits in accordance with Compensation-Based Performance Appraisal System and Fringe Benefit Program for Act 93 and Other Designated Administrators.
Department: Administration	
Reports To: Superintendent of Schools	

Purpose of Position

Serve as a member of the Superintendence Team with the specific responsibility for all business services and business operations of the school system.

Essential Duties and Responsibilities:

- Responsible for management of various functions of the business services division, preparation of financial reports and preparation of necessary information for school facilities, construction and operation.
- Responsible for accounting of all revenues and disbursements, procurement of inventory control, transportation services, food services, data processing, security services, office management, financial planning and budgeting.
- Organize, maintain and improve the accounting of all funds in accordance with rules and regulations as prescribed by the Commonwealth of Pennsylvania.
- Budget compilation and budget control, as well as long-term fiscal planning.
- Serve on management team for all collective negotiations, preparing the pertinent fiscal data.
- Organize, maintain and improve procurement, warehousing, distribution, inventory and control systems for supplies and equipment.
- Organize, maintain and improve pupil transportation services including:
 - 1 Secure contracts with and supervise operation of public conveyors.
 - 2 Organize and determine transportation paddleboard.
 - 3 Recommend for employment and train bus drivers for district-owned buses.
- Organize, maintain and improve cafeteria services.
- Organize, maintain, manage and improve Management Information Services so as to facilitate effective decision making.
- Organize, maintain and improve security services.
- Prepare the necessary supporting reports for new school building construction.
- Determine the propriety, legality and accuracy of all financial transactions through a system of pre-audit and internal control procedures.
- Coordinate the collection and reporting of local taxes through contracted tax collectors.
- Prepare all financial reports which are directly or indirectly related to the function of the school:
 - 1 Prepare reports which are necessary to support the decisions of good management.
 - 2 Prepare reports as requested by the Superintendence Team.
- Supervise the following departments and personnel: Chief of Accounting, Chief of Food Services and Chief of Technology.
- Manage business services with activities of other school system divisions and contractual services with activities of other school system divisions.
- Evaluate personnel listed in Item #15.

Additional Job Functions

- Perform other related duties as required.

Minimum Training and Experience Required to Perform Essential Job Functions

- Bachelor's Degree in Business Administration, Finance or Accounting.
- Knowledge of school district operations preferred.

- Knowledge of school business accounting and financial procedures (GAPP) preferred.
- Knowledge of budget development and payroll preferred.
- Knowledge of student transportation preferred.
- Knowledge of food services preferred.
- Knowledge of computer systems operations preferred.
- Knowledge of procurement and inventory preferred.

Knowledge, Skills and Abilities Required to Perform Essential Job Functions

Physical Capabilities:

- Must be able to stand three hours at one time.
- Must be able to sit one hour at one time.
- Must be able to walk one hour at one time.
- Must be able to stand three total hours.
- Must be able to sit one total hour.
- Must be able to walk four total hours.
- Must occasionally be able to bend/stoop, squat, crouch, kneel, climb, balance and reach above shoulders.
- Must frequently carry up to 10 pounds. Must occasionally carry between 11 and 40 pounds.
- Must frequently lift up to 10 pounds. Must occasionally lift between 11 and 40 pounds.
- Must use both hands for repetitive actions such as simple grasping, firm grasping, pushing/pulling, fine manipulation, writing or printing, twisting/turning and feeling.
- Must use head and neck in static position, frequent flexing and rotating.
- Must be able to operate television, VCR (play, record and duplicate materials), auditorium sound system, photocopier, duplicator, computer, printer, PA system and paper punches.
- Must be able to adapt to a fast-paced environment which requires many quick and accurate decisions, excellent communication skills, both oral and written. Must be able to perform as a leader.

Physical Environment:

- Position encompasses entire district and grounds of the district. Center of operation is the Administration Building.

I have read and understand the above job description outlining my duties and responsibilities.

Signature of Employee

Date

Copies: Employee
Personnel File

Harrisburg City School District
03 - Business Office
Assessment of Responsibilities and Internal Controls

In conjunction with the agreed upon procedures and consulting services performed by Wessel & Company, it was necessary to gain an understanding of the internal controls and operations of each department in order to assess and evaluate the overall performance and the adequacy of Harrisburg City School District's operations as a whole.

Wessel & Company met with the following individuals to discuss the departmental processes, responsibilities, and procedures performed by the Business Office:

1. Mr. Bilal Hasan, Acting Business Manager
2. Mr. Doug Harmon, Accounting and Business Operations Supervisor
3. Mr. Anthony Aukstakalnis, Federal Programs Accountant
4. Ms. Roxanne Bowman, Purchasing Supervisor

Business Office Responsibilities:

Through conversations with the individuals listed above, we learned that the Business Office is responsible (at a minimum) for the following processes and procedures:

- Receiving, and reviewing invoices from vendors and submitting timely payments
- Receiving revenue from tax collectors and other sources
- Preparing the Treasurer's report for the Budget, Finance, and Facilities Committee that meets once a month
- Preparing monthly, quarterly and yearly reconciliations
- General accounting related to overall operations
- Budgeting
- Monitoring of contracts
- Preparation of cost-benefit analysis for any potential projects for which bids are necessary, along with any services that will be outsourced to independent contractors
- Preparation and maintenance of accurate financial records, analysis reports and other documents that are useful to the users of this information
- The District's financial records should reflect the following characteristics:
 - a. Completeness
 - b. Neutrality
 - c. Freedom from error
- Providing responses to Right- to- Know requests
- Other tasks that support the overall financial and administrative goals of Harrisburg City School District

Per review of the Organizational Chart provided by the Harrisburg City School District, the Business Office is in charge of overseeing the following departments: ([See Appendix for Organizational Chart](#))

- Human Resources
- Information Technology
- Purchasing
- Payroll
- Safety and Security
- Food Services
- Facilities (Maintenance)

Business Office Findings:

Finding BO - 01 – Internal controls over the District’s Cash Disbursements are not followed on a consistent basis.

Employees of the Business Office do not possess a clear understanding of the policies and procedures in place for the review, verification, authorization and approval of invoices and purchase orders and as a result the District’s cash disbursement process is not functioning as designed.

As a part of our agreed-upon procedures report, we selected a sample of sixty (60) transactions from each of the last three (3) fiscal years and noted multiple exceptions in each year tested. To assist in our sample selection, we utilized two separate data extraction software to identify high risk transactions from the District’s check register.

Exception Type	2015-2016		2016-2017		2017-2018	
	# of Exceptions	Exception Rate	# of Exceptions	Exception Rate	# of Exceptions	Exception Rate
Vendor file could not be located	7	12%	4	7%	1	2%
Invoice could not be located in vendor file	1	2%	7	12%	4	7%
Purchase order lacked requisition number	6	10%	11	18%	4	7%
Purchase order lacked requisition date	60	100%	46	77%	36	60%
Purchase order missing a purchase order number	4	7%	8	13%	2	3%
Purchase order missing a purchase order date	8	13%	11	18%	4	7%
Supporting documentation, requisition, PO, invoice and check agree	12	20%	11	18%	4	7%
Invoices were approved prior to payment	31	52%	42	70%	4	7%
Purchase order was reviewed prior to payment	29	48%	16	27%	5	8%
Purchase order was authorized prior to payment	29	48%	16	27%	5	8%
Purchase order was approved by CFO/Bus. Mgr prior to payment	9	15%	11	18%	4	7%
Expense coding consistent with PDE chart of accounts manual	8	13%	11	18%	4	7%
Total sample size	60		60		60	
Unsupported Expenditures	\$ 1,722,607		\$ 672,166		\$ 94,764	
Total Expenditures in Sample	\$ 2,092,806		\$ 2,334,389		\$ 3,143,517	
Error Rate	82%		29%		3%	

As shown above, the District has made improvements since 2015-2016, however, there is still a significant number of exceptions in 2017-2018. Overall, the total unsupported expenditures from the sample selected totaled **\$2,489,537.71**.

Finding BO - 02 - Lack of Communication between the Business Office and other Departments, organization structure is not effectively implemented.

Throughout our interview of employees we noticed that the communication of useful information throughout the many levels of the entity is lacking. Information is not adequately shared and communicated within or between departments managed by the Business Office.

Throughout the conduct of our engagement, Wessel & Company’s staff spent most of our time working on site at Harrisburg’s Lincoln Administration building, which also houses the Business Office, we noted that many employees expressed concerns regarding the proper reporting lines of communication. Some employees noted that they are unsure whom they should report information to.

For Example:

- A. The Business Department does not adequately monitor or approve services performed by independent contractors such as Aramark (Custodial) and STS (Human Resources Consultant) or Federal Program independent contractors – **See Schedule BO – 4, Schedule BO - 6, Schedule BO - 6a, and BO – 7.**
- B. Discussions with District employees from the departments that report to the Business Office reported that financial reports and monitoring reports are not being reviewed and acted upon by the Acting Business Manager.
- C. The Acting Business Manager fails to hold certain individuals accountable.
- D. Departments throughout the organization tend to blame other departments for the breakdown in internal control and reporting processes.

Finding BO - 03 - The Business Office did not provide sufficient evidence to support the performance of monthly or quarterly budget monitoring that should occur as part of the Districts budgeting process. (See Appendix for Harrisburg City School District's Budget Policies No. 602 & 603)

Wessel & Company requested documents and analysis to support the overall assumptions used during the preparation of fiscal year's 2015-2016, 2016-2017 and 2017-2018 annual budgets as well as identified variances between budgeted and actual amounts. We were provided with generic system generated reports that were processed out of Harrisburg City School District's eFinancePLUS system.

We inquired of Mr. Hasan, Acting Business Manager as to specific budget to actual variances and inquired whether or not there were any independent analyses prepared during the budgeting process that would address the noted variances.

Mr. Hasan was unable to provide variance explanations or analyses that could be used to explain why certain line items were either over/under budget.

Finding BO - 04 - The Business Office – Failed to Monitor and Safeguard the Integrity of Vendor Contracts

Wessel & Company reviewed Harrisburg City School District BOD meeting minutes and selected forty- seven (47) Board approved vendor contracts. The contracts selected were for goods or services to be performed by independent contractors. For the contracts selected, we obtained a copy of the vendor contract file, paid invoices, payment history, and any other relevant documentation necessary to verify that the terms of the contract were not exceeded.

Of the forty-seven (47) contracts tested, sixteen (16) contracts exceeded the total “amount not to exceed” limit approved by the School Board. Total overpayments to these sixteen (16) vendors amounted to approximately **\$210,000.** (Schedule BO-1)

In addition, to contract overpayments, the following exceptions were also noted, displaying poor contract monitoring controls. (See Schedule BO-1 and BO-2, for details.)

1. Key deliverables required for independent contracts were blank and/or incomplete. Contract documents were not signed by the independent contractor
2. Noted a contract that specified terms of- “shall not exceed \$60,000” but was approved by the School Board at an inflated amount of \$70,000
3. Noted a contract in which a quoted price from a vendor was less than the amount that was approved by the School Board
4. Services were provided by a vendor prior to School Board approval
5. The Business Office failed to prepare and/or retain documentation to support an analysis’s or price comparisons, as required by the Code of Federal Regulations when procuring contracts with federal funds. (Uniform Grant Guidance (UGG) 2 CFR 200.323)

Finding BO - 05 - Failure to Perform and Document IRS Common Law Factors Regarding Employee vs. Independent Contractor Status

For federal employment tax purposes, the usual common law rules are applicable to determine if a worker is an **independent contractor or an employee**. Federal tax penalties are substantial if contracted employees are not appropriately classified. The savings an organization may try to achieve by classifying an outside contractor incorrectly may far outweigh the benefits received from an inappropriate classification.

Under the Common Law, companies must examine the relationship between the worker and the business. Factors to be considered and documented to provide evidence of the degree of control and independence in the relationship fall into three categories – *Behavioral Control, Financial Control, and Relationship of the Parties*. The analysis of workers status determination is to be retained.

The Business Office failed to perform the required IRS “employee vs. independent contractor” analysis when contracting with individuals that have been classified with “independent contractor” status, thereby exposing Harrisburg City School District to the risk of potential penalties and unpaid employment taxes. (See [Schedule BO-3 for example checklist](#) and [Schedule BO-4 workers classified as independent contractors](#))

Finding BO - 06 - Outsourced Services - Failure to Perform and Document a Cost-Benefit Analysis

The Business Office failed to perform and document a cost-benefit analysis to quantify the financial cost or financial savings to the District. As noted in [Finding BO-5](#) and [Finding BO -7](#), federal penalties resulting from the incorrect worker classification may exceed the District’s expected cost savings.

Finding BO - 07 - Overreliance on third party experts.

Government Auditing Standards require government entities to identify an individual responsible for reviewing and taking responsibility for the services provided. This individual must possess the suitable knowledge, skills, and experience to sufficiently oversee and take responsibility for the services provided. Examples of services referenced would be specific to the District's independent auditor, financial consultants or others providing input on the District's accounting and financial reporting.

The District's annual Single Audit Reports have repeatedly contained findings regarding the lack of technical accounting and financial reporting expertise necessary to adequately address complex accounting issues faced by the District.

The Acting Business Manager does not have an accounting degree, technical training, or the knowledge to monitor and manage the District's financial operations. Mr. Hasan relies heavily, on the work prepared by contracted professional service providers for tasks that require general knowledge of Generally Accepted Accounting Principles (GAAP).

Mr. Hasan, has not performed the following tasks:

1. Timely year-end closing procedures (Based on the number year end audit entries) **(Schedule BO – 05)**
2. Maintenance and reconciliation of detailed fixed asset listing to audited financial statement balances.
3. Financial statement conversion workpapers necessitated by the Government Accounting Standards Board (GASB) statement number 34.
4. Preparation of an independent analyses for pension and OPEB related financial statement balances as required by GASB 68 and GASB 75.
5. Preparation of District budgets with supported facts, circumstances and an understanding of the District's assumptions utilized to develop the annual budget.

As reported in **Finding SBR – 02**, from our review of the Acting Business Manager's college transcript, we noted that only two introductory level accounting courses were taken.

In addition, there was no documentation in personnel files or eFinancePLUS to support additional or on-going training that would be necessary for a School District Business Manager to keep current with changes in *Governmental Accounting Standards*.

Finding BO - 08 - Failure to Review and Verify Invoice Prior to Payment – STS/ABEL Weekly Invoices

Harrisburg City School District, contracts with Substitute Teacher Services, Inc. (STS) and ABEL to fill temporary staffing needs. Both vendors provide the District with a detailed weekly invoice for substitute staffing services provided. However, there are no review and verification controls in place to ensure that the substitute (STS/ABEL employee) was in attendance to fill-in while a District employee was absent. Currently, STS/ABEL employees are required to document their attendance by signing-in daily on a form maintained at each school location.

We reviewed weeks of STS and ABEL invoices and attempted to verify and cross check STS/ABEL employee attendance to a District employee absences. We requested, and eventually obtained the daily substitute sign-in sheets. The results of our testing found significant variances from STS/ABEL invoices compared with documented daily signatures on sign-in sheets.

Our test results disclosed the following findings:

- Melrose, Foose and Sci-Tech High School had the greatest variances between position billed verse sign-in documentation.
- On average we noted a 19% variance rate between amounts invoiced and documented signatures on the daily sign-in sheets.
- We quantified the potential overpayment for substitute services not provided at **\$903,185.71**, as follows:

	Invoice period 2/25/19 - 3/1/2019		
	Invoice Total	Invoice Amount - Not signed in	Noncompliance %
Melrose School	\$11,918.98	\$2,897.19	24%
Sci-Tech High School	6,239.00	552.47	9%
Foose School	4,965.39	2,486.07	50%
All Other Buildings	\$22,899.99	\$3,018.87	13%
	\$46,023.36	\$8,954.60	19%
Summarized payments to STS by FY and applied noncompliance percentage above:			
	Total District Payments	Noncompliance Rate	Questioned Costs
2015-16	\$1,465,846.54	19%	\$285,204.50
2016-17	\$1,642,520.12	19%	\$319,579.25
2017-18	\$1,533,676.64	19%	\$298,401.96
	\$4,642,043.30		\$903,185.71

Finding BO-09 - Failure to Monitor Payroll Costs incurred by District Employees Managed by Aramark.

Wessel & Company performed a three year payroll variance analysis on Harrisburg City School District’s total payroll for each school by pay code.

We noted excessive overtime being incurred by the District’s custodial staff, begin managed by Aramark, an outsourced facilities management company.

This analysis allowed Wessel & Company to drill down specifically determine the details behind the increasing costs from year to year. The most significant increases related to overtime expense. Overtime increased steadily year over year for both “time and a half” and “double time”.

Wessel & Company obtained a listing of the employees that were being paid overtime in each of the three years tested. This list revealed that a significant portion of the overtime that was paid to custodians. Several custodians earned overtime pay equal to, or more than, their yearly salary.

We inquired of Ms. Hegedus, Payroll Supervisor, regarding the School District's procedures for approving employee overtime. Ms. Hegedus noted that Aramark, an independent contractor who manages Harrisburg City School District's Facilities, is responsible for approving overtime incurred by the District's custodial staff. Ms. Hegedus explained that Aramark manages their own workforce in addition to Harrisburg City School District's maintenance employees.

Wessel & Company met with representatives from Aramark to discuss their Facilities Management contract with Harrisburg City School District. Aramark explained that when Harrisburg City School District contracted with them (Aramark), both parties reached the agreement that the existing custodial staff will remain HSD employees and any new employees will be Aramark employees.

After gaining an understanding of the contract with Aramark, we discussed the rising total costs and more specifically –the increasing overtime costs with Acting Business Manager – Bilal Hasan. We asked Mr. Hasan to provide us with any cost benefit analysis's that were prepared when making the decision to outsource to Aramark or to continue to run the department with Harrisburg City School District Employees.

Aramark is responsible for approving all overtime worked by both Aramark employees and Harrisburg City School District employees. Representatives from Aramark also noted that they thought they were required to offer overtime to Harrisburg City School District employees first due to their AFSCME union agreement.

Harrisburg City School District has no procedures in place to monitor facilities management costs or overtime costs incurred under Aramark management. **See Schedules BO – 6 and BO - 6a.**

Finding BO-10 - Failure to Monitor Costs and Performance of outsourced professional workers.

We reviewed the contract between STS and Harrisburg City School District for Human Resources Services performed. Wessel & Company met with an STS contracted employee to discuss the duties of his position. The worker was able to tell Wessel & Company his general duties, however he was unable to provide us with documentation to support daily tasks performed to substantiate his value for the costs paid for his services. This worker does not report to school management on a regular basis, nor does management oversee the tasks performed by this contracted worker. We noted that the costs paid for this worker is significantly high for the amount of services he provided over a three year period. **See Schedule BO – 7.**

Finding BO – 11 - Employees received payouts for vacation time (in lieu of taking days off). (Significant Fraud Risk)

The Association of Certified Fraud Examiners (ACFE) publishes a Fraud Examiner's manual that highlights relevant information for the prevention, detection and deterrence of fraud.

The ACFE Fraud Manual stresses the importance of mandatory vacation days taken by key employees - "Many internal fraud schemes are continuous in nature and require ongoing efforts by the employee to conceal the fraud."

Mandatory vacations have been a proven method of detecting fraud; however, it is important that while this employee is on vacation, another employee or group of employees, take over while the individual is on vacation.

Business Office Recommendations:

1. Harrisburg City School District needs to immediately hire qualified individuals to fill the vacant Business Office positions to better manage and oversee the District's Financial Operations.
2. Business Office Management needs to adhere to Budget Policy #602 and #603. Formalized budget preparation and monitoring procedures need to be established and budget variances need to be investigated.
3. When hiring independent contractors, a formal cost - benefit analysis should be prepared and retained to formally document and support the benefit or cost savings decisions for the District. In addition, work performed by independent contractors should be reviewed and evaluated every six months and annually to determine whether the contractor should be retained.
4. Although purchasing policies are in place, there appears to be a breakdown in internal controls over the monitoring of contracts and ensuring that the District's policies and procedures are being followed. We recommend that all appropriate documentation be reviewed for completeness and accuracy prior to approval of contracts. We also suggest that the District establish controls to safeguard against the overpaying contractors.
5. We recommend that Harrisburg City School District's Business Office staff obtain the training necessary to understand, and follow, the District's policies and procedures. Specifically in the areas of procurement, bid requirements, Costars and suspended or debarred vendors. We further recommend that the Business Office Employees and the Harrisburg City School District Board of Directors receive this training so that they understand what is required.
6. We recommend that Harrisburg City School District adopt a policy that does not allow vacation payout to employees in key management positions or administrative positions such as Act 93 employees. Employees in these positions should be encouraged to take their vacation during each school year. Providing employees with the option to receive a vacation payout exposes Harrisburg City School District to a significant fraud risk - specifically the risk of the concealment of fraud.

Currently there are very few employees that are cross trained on other individual's positions. An added benefit of requiring that employees take vacations would be that it would make cross training of employees necessary to fill in during vacations. This would also help to allow the School District to continue its normal operations in periods that experience employee turnover.

The Association of Certified Fraud Examiners (ACFE) publishes a Fraud Examiner's manual that highlights relevant information for the prevention, detection and deterrence of fraud. The ACFE Fraud Manual stresses the importance of mandatory vacation days taken by key employees - "Many internal fraud schemes are continuous in nature and require ongoing efforts by the employee to conceal the fraud". Mandatory vacations are a proven method of detecting fraud, however it is important that while this employee is on vacation another employee or group of employees take over while the individual is on vacation.

Harrisburg City School District
Non-Compliance With Board Approved Contract Limits
For the Period 7/1/2015 through 6/30/18

	Vendor	Fiscal Year	Board Approved Contract Amount Cost not to Exceed	Actual Amount Paid	Variance Between Approved Contract and Actual Paid
1	Rose Sampson	2015	\$ 7,000.00	\$ 7,035.00	\$ 35.00
2	Deborah L. Fulton - DBA DFL Group LLC.	2017	4,650.00	5,456.25	806.25
3	Joy L. MacKenzie - DBA Literate by Design, LLC.	2017	5,456.25	6,881.25	1,425.00
4	McKissick Associates PC	2017	22,855.00	24,824.47	1,969.47
5	Clenistine Dunson	2015-2016	57,000.00	59,760.00	2,760.00
6	Dolorez Cobb-Jones	2015-2016	43,200.00	79,650.00	36,450.00
7	Dolorez Cobb-Jones	2015-2016	60,000.00	106,135.00	46,135.00
8	Patricia Patterson Lee	2015-2016	8,750.00	9,898.70	1,148.70
9	Patricia Patterson Lee	2015-2016	70,000.00	76,294.63	6,294.63
10	Rose Sampson	2015-2016	66,500.00	66,920.00	420.00
11	Clenistine Dunson	2016-2018	78,000.00	163,953.10	85,953.10
12	Joy L. MacKenzie - DBA Literate by Design, LLC.	2017-2018	32,725.00	33,596.25	871.25
13	Donna Cheatham	2017-2018	60,000.00	63,615.00	3,615.00
14	Iris Brown	2017-2018	60,000.00	64,157.20	4,157.20
15	Patricia Patterson Lee	2017-2018	70,000.00	77,280.00	7,280.00
16	Paul Droms	2017-2018	60,000.00	71,015.40	11,015.40
Total Amount Overpaid on Contracts					\$ 210,336.00

Finding BO # 4

We selected a cross sample of contract across the past three fiscal years (2015-16, 2016-17 and 2017-18) Out of the 47 contracts tested, 16 vendors were paid more than the approved contract maximum amount.

In addition to overpayment of contracts, we also noted the following additional exceptions:

- 1) Key deliverables for independent contracts were blank or incomplete
- 2) Contract documents were not signed by the independent contractor
- 3) Some contracts included hourly rates while others included a fixed not-to-exceed amount
- 4) Contract specified a not to exceed amount of \$60,000; however, the board approved the contract at \$70,000
- 5) Quoted price from vendor was less than the amount approved by the Board
- 6) Services were provided by the vendor prior to board approval
- 7) For independent contractors utilized for federal grant programs, no analysis or price comparisons were made to

**Harrisburg City School District
Summary of Disbursement Exceptions
For the Period of July 1, 2015 through June 30, 2018**

Exception Type	2015-2016		2016-2017		2017-2018	
	# of Exceptions	Exception Rate	# of Exceptions	Exception Rate	# of Exceptions	Exception Rate
Vendor file could not be located	7	12%	4	7%	1	2%
Invoice could not be located in vendor file	1	2%	7	12%	4	7%
Purchase order lacked requisition number	6	10%	11	18%	4	7%
Purchase order lacked requisition date	60	100%	46	77%	36	60%
Purchase order missing a purchase order number	4	7%	8	13%	2	3%
Purchase order missing a purchase order date	8	13%	11	18%	4	7%
Supporting documentation, requisition, PO, invoice and check agree	12	20%	11	18%	4	7%
Invoices were approved prior to payment	31	52%	42	70%	4	7%
Purchase order was reviewed prior to payment	29	48%	16	27%	5	8%
Purchase order was authorized prior to payment	29	48%	16	27%	5	8%
Purchase order was approved by CFO/Bus. Mgr prior to payment	9	15%	11	18%	4	7%
Expense coding consistent with PDE chart of accounts manual	8	13%	11	18%	4	7%
Total sample size	60		60		60	
Unsupported Expenditures	\$ 1,722,607		\$ 672,166		\$ 94,764	
Total Expenditures in Sample	\$ 2,092,806		\$ 2,334,389		\$ 3,143,517	
Error Rate	82%		29%		3%	

Conclusion:

The District's cash disbursement process is not functioning as intended. Thorough testing completed over the last three fiscal years shows multiple exceptions for various items throughout the disbursement process. Most notably, the district does not appear to be consistently using the purchase requisition date on the purchase orders, vendor invoices are being paid prior to approval and overall maintenance of vendor files and invoice documentation.

It should also be noted as a separate matter that certain travel expenditures were tested. In multiple instances, advances were provided to employees prior to a conference or district event, however, no follow up accounting or documentation was provided to show how the funds were spent or whether funds should be returned to the District. We recommend that all advances and reimbursements of travel expenses be properly documented and maintained.

Example Checklist

Employee vs. Independent Contractor Checklist

When contracting for services, you **must** evaluate whether the **Internal Revenue Service (IRS)** would consider the person providing the services an **independent contractor**. There are financial consequences if the IRS determines that a Company misclassified a service provider.

An **independent contractor** is a person or business entity which:

- is free from the School District's immediate direction and control in their performance of the services
- is responsible to the School District only for the contracted result of the work, not the manner or method used to accomplish the work
- solely controls and directs how the service is provided, who provides it, and the means used to provide the service
- sets his/her own prices for goods and fees for service
- can terminate contract while not terminating his/her business
- can terminate contract while not creating an unemployment situation
- uses advertising to promote their business
- provides goods and/or services to a segment general public of their own choosing

When contracting for services you should use the following checklist, which compares an **employee characteristics** with those of an **independent contractor**.

EMPLOYEE

- Directed and controlled by the School District
- Does tasks in the manner the School District requests
- Does not have a financial investment in the work they are providing to the School District
- The District provides tools, equipment, and skills training
- The individual works under the SD's business license
- Often receives benefits beyond payment for service (retirement and health plans)
- Receives a net check. The SD withholds income tax and FICA taxes.
- Works hours set by the School District
- Works at the SD's place of business
- Works only for SD
- Does not advertise
- Eligible for workers' compensation benefits
- Has some rights prior to termination
- Covered by minimum wage and overtime rules
- May join or form union

INDEPENDENT CONTRACTOR

- Independent
- Does tasks in his/her own way
- Assumes the costs associated with doing the work for the School District
- Comes to the job with required tools, equipment, skills
- The individual obtains his or her own business license
- Receives only payment for service
- Receives a gross amount check. Pays own taxes.
- Works at his/her own office or home
- Sets his/her own hours
- Provides services to multiple entities
- Has customers as a result of advertising and being known by the public as a business
- Not covered by the District's workers' compensation
- No rights prior to termination unless contracted
 - Paid as contracted; no overtime
- No right to union representation

If it is determined that the relationship you are considering falls into the Employer/Employee category, you must contact Human Resources to determine the appropriate mechanism for hiring the individual.

Harrisburg City School District
 Summary of Independent Contractors
 For the Period of July 1, 2015 through June 30, 2018

	Vendor / Independent Contractor	Date Approved	Hourly Rate	Contract Amount Cost not to Exceed	Service Provided
1	Carol Staub	8/17/2015	\$60/hour	\$ 43,200	SIG -Title II- Professional Development
2	Clenistine Dunson	9/21/2015	\$60/hour	57,000	SBI Program - Business Curriculum
3	Clenistine Dunson	6/20/2016	\$60/hour	78,000	SBI Program - Business Curriculum
4	Diane Harris	7/13/2015	\$50/hour	7,000	SIG -Title I
5	Diane Harris	10/19/2015	\$50/hour	20,000	SIG -Title I
6	Diane Harris	Term: 10/1/17-9/30/18	N/A	60,000	SIG -Title I
7	Dolorez Cobb-Jones	8/17/2015	\$60/hour	43,200	Never an Employee - SIG - Camp Curtin Specialist
8	Dolorez Cobb-Jones	11/16/2015	\$60/hour	60,000	Never an Employee - SIG - Camp Curtin Specialist
9	Dolorez Cobb-Jones	Term: 10/1/17-9/30/18	N/A	60,000	Never an Employee - SIG - Camp Curtin Specialist
10	Donna Cheatham	Term: 10/1/17-9/30/18	N/A	60,000	Was a Principal - Back through SIG - Rowland
11	Hasan Educational Consultants - Barbara Hasan	9/21/2015	\$75/hour	42,750	Was Assistant Superintendent - Then SIG Program - Now Acting Principal
12	Hasan Educational Consultants - Barbara Hasan	6/20/2016	\$75/hour	58,500	Was Assistant Superintendent - Then SIG Program - Now Acting Principal
13	Patricia Patterson Lee	8/15/2016	\$70/hour	8,750	Was former HSD Employee - back as SIG Consultant - Over saw SIG Grant.
14	Patricia Patterson Lee	9/21/2015	\$70/hour	70,000	Was former HSD Employee - back as SIG Consultant - Over saw SIG Grant.
15	Patricia Patterson Lee	Term: 10/1/17-9/30/18	N/A	70,000	Was former HSD Employee - back as SIG Consultant - Over saw SIG Grant.
16	Paul Droms	Term: 10/1/17-9/30/18	N/A	60,000	Rowland - Math/ Data Consultant.
17	Rose Sampson	7/13/2015	\$70/hour	7,000	Former HSD Principal - Title II & I Consultant
18	Rose Sampson	6/20/2016	\$70/hour	91,000	Former HSD Principal - Title II & I Consultant
19	Rose Sampson	9/21/2015	\$70/hour	66,500	Former HSD Principal - Title II & I Consultant
				\$ 962,900	

The majority of the contracted workers are listed above are former HSD Employees.

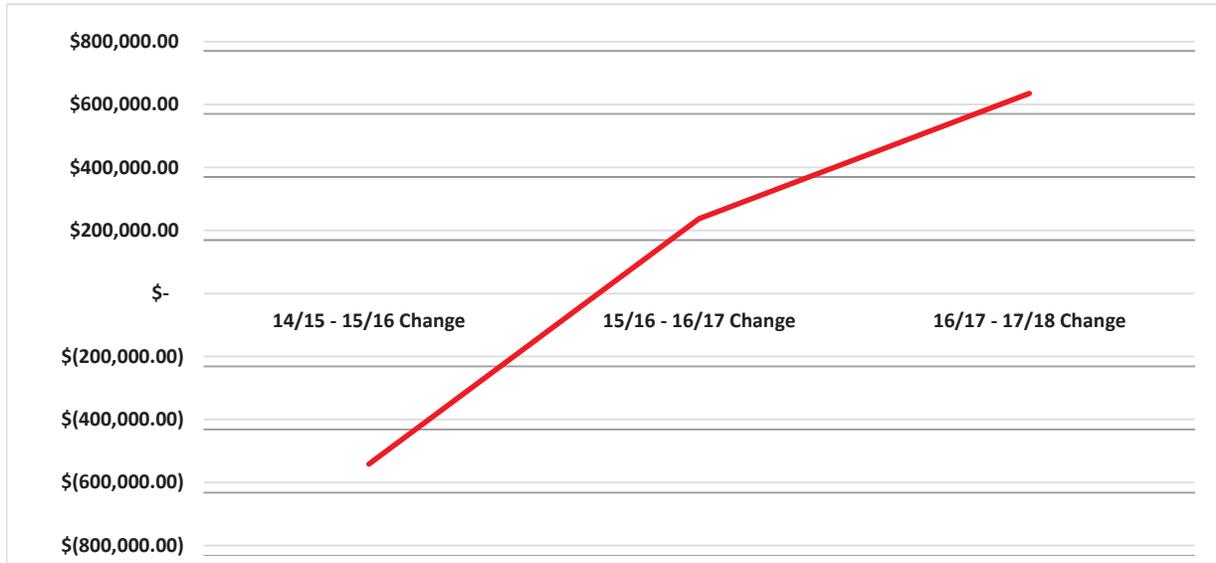
The Business Office failed to perform the required IRS analysis to determine whether the individuals listed above should have been classified as an Employee vs. an Independent Contractor. **Harrisburg City School District faces significant IRS penalty exposure if it's determined that these individuals have been incorrectly classified.**

Harrisburg City School District
 Summary of Required Audit Entries
 For the Period of July 1, 2015 through June 30, 2018

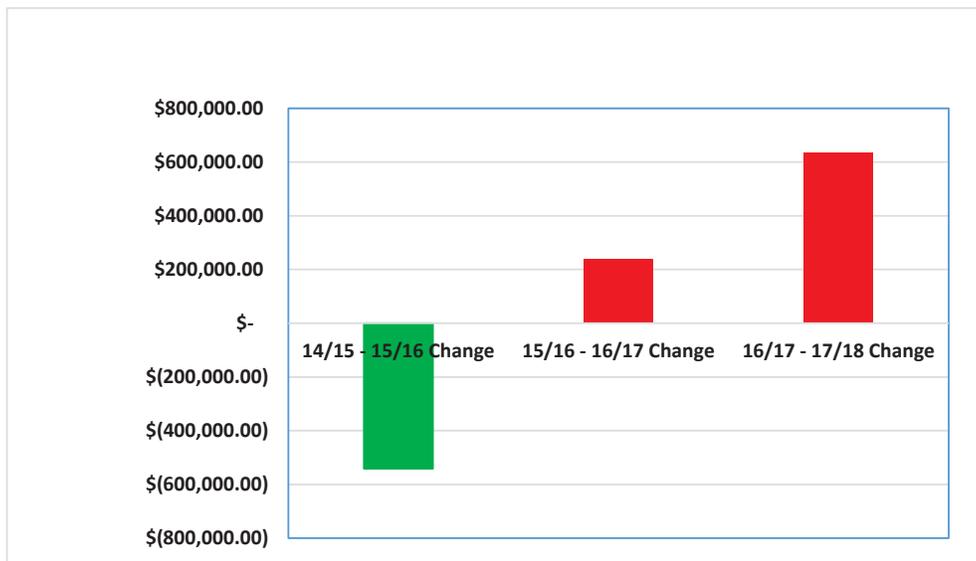
Number of Entries

School Year Ended	Auditor Prepared	Harrisburg School District Prepared	Reclassifying	GASB 34 Entries	Total Entries
June 30, 2016	12	24	2	9	47
June 30, 2017	18	21	0	9	48
June 30, 2018	12	34	0	10	56
Total Audit Entries	42	79	2	28	151

**Harrisburg City School District
Outsourced Facility Management Cost - Not Save the District Costs
For the period of July 1, 2015 through June 30, 2018**



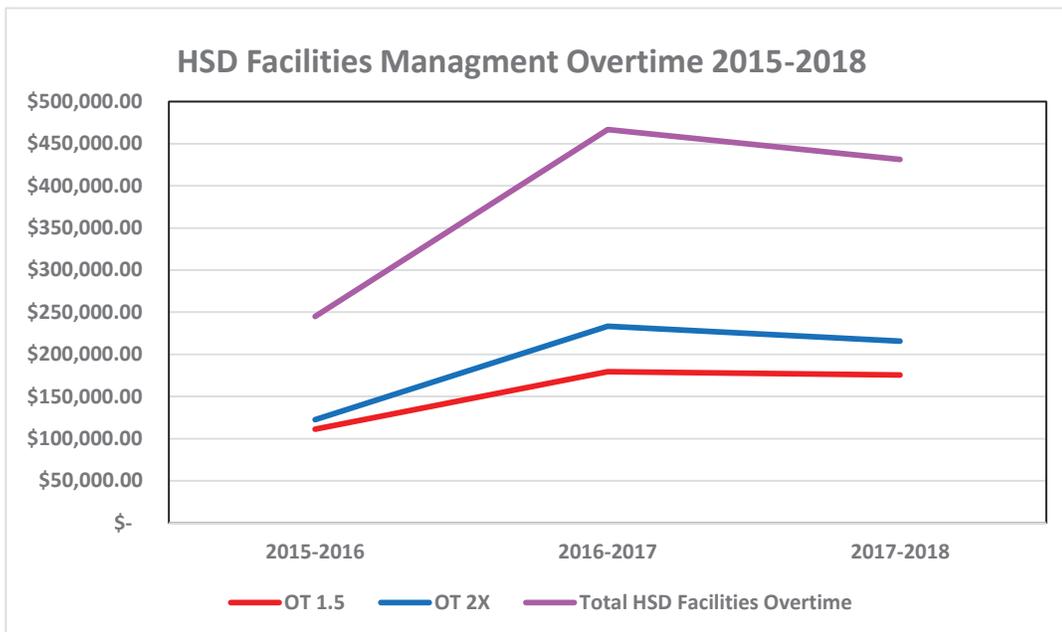
	2014-2015	2015-2016	2016-2017	2017-2018
Total Facilities Cost per AFR	\$ 8,764,724	\$ 9,366,330	\$ 10,143,338	\$ 11,166,400
Paid to Aramark - Facilities Mgmt.	-	1,143,035	1,682,014	2,069,699
	\$ 8,764,724	\$ 8,223,295	\$ 8,461,324	\$ 9,096,702



Aramark Contracted Services - (Cost Savings) or Increased Cost by School Year		
14/15 - 15/16 Change	15/16 - 16/17 Change	16/17 - 17/18 Change
\$ (541,429.39)	\$ 238,028.58	\$ 635,378.14

**Harrisburg City School District
School District Employees Overtime Cost - Under Aramark Management
For the period of July 1, 2015 through June 30, 2018**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
OT 1.5	\$ 111,190	\$ 179,440	\$ 175,563
OT 2X	\$ 11,287	\$ 53,941	\$ 40,125
Total HSD Facilities Overtime	\$ 122,477	\$ 233,381	\$ 215,688



**Harrisburg City School District
Year to Year Change in HSD Employee Overtime Cost - Under Aramark Management
For the period of July 1, 2015 through June 30, 2018**

School Years Ending June 30 -	<u>2016-2017</u>	<u>2017-2018</u>	<u>2016-2018</u>
Change	\$ 110,903	\$ (17,693)	\$ 93,211
% Change	91%	-8%	76%

Payroll Overtime Increases		
FY 2015-2016 vs. FY 2016-2017	91%	Increase
FY 2015-2016 vs. FY 2017-2018	76%	Increase
FY 2016-2017 vs. FY 2017-2018	-8%	Decrease

Harrisburg City School District
Analysis of Payments to STS for Outsourced Human Resources Services
July 1, 2015 - June 30, 2018

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>Total</u>
Amount Paid to Lance Freeman (Paid by STS)	\$106,287.54	\$117,125.09	\$94,481.39	\$317,894.02
***STS Markup Contracted HR Worker	\$20,194.63	\$22,253.77	\$17,951.46	\$60,399.86
Total Expense Related to Outsourced HR Services	\$126,482.17	\$139,378.86	\$112,432.85	\$378,293.88

Note:

Per discussion with Mr. Freeman, he utilizes Time Clock Plus to check in and check out for the days he works at the School District. On average, Mr. Freeman indicated that he works about three days per week and assists with union negotiations and employee grievances and related investigations.

FINDING:

Mr. Freeman does not provide the School District with a weekly or monthly report to document the work he performed, the tasks that he assisted with, or meetings the he attended.

Documentation does not exist to substantiate the value of services provided by Mr. Freeman to determine if the costs paid by the School District was reasonable and necessary.

**** STS, Inc.'s Contract Agreement with Harrisburg School District notes that the markup for Lance Freeman is 16%. Wessel & Company used STS's invoice reports to determine the amounts being paid to Lance Freeman and STS for the period of July 1, 2015 to June 30, 2018.*

Harrisburg City School District
04 - Human Resources Department
Assessment of Responsibilities and Internal Controls

Wessel & Company met with Harrisburg City School District's outsourced HR Consultant Lance Freeman; Barbara Richard, Interim HR Supervisor; Shelena Roy, Human Resources Manager; and Jamie Cheatham, HR and Medical Benefits Specialist, to discuss the policies, processes and procedures that the district uses related to the district's Human Resources function.

Ms. Roy noted that the HR department uses the following software:

1. **48 Carats software** - web based management system for registering for and tracking professional education workshops, conferences and other opportunities.
2. **AESOP (absence tracking software)** - used by the Human Resources office to track Sick, Vacation, and Personal Days. HR is responsible for providing the Payroll Department with an export for each payroll processed.
3. **Applitrack software** - post current open positions and receive candidates applications, resumes, etc.
4. **eFinancePlus software** - used to track continuing education hours completed.
5. **Time Clock Plus (TCP)** - a biometric (fingerprint) attendance tracking system to be used by all employees for payroll purposes.

Ms. Roy explained that HR is responsible for maintaining a manual file on each employee. This file should contain information on any changes from the employee's date of hire until the termination date. Some of the items that are to be included in the file are: resume, transcripts, any certifications, clearances, certifications, etc.

Other control functions and tasks of the HR department include:

1. Develop District-wide policies
2. Approve time off for employees
3. Ensure that all employees hired have the proper qualifications
4. Ensure that all employees hired have the proper clearances
5. Responsible for maintaining benefits for employees and ensuring that former employees are removed from the District's benefits
6. Determine pay rates based on Union and Harrisburg School District employment contracts
7. Post jobs and select candidates that are qualified and align with Harrisburg School District's mission
8. Monitor and update the District's webpage.

Human Resources Findings:

Wessel & Company examined 60 employee files that are maintained by the HR Department, and noted following discrepancies:

Finding HR-01 - Incomplete Personnel Files – Missing Documents

- Job descriptions were not consistently included in personnel files
- Employee qualifications were not consistently or adequately documented in the personnel files

- Act 34 (FBI) and Act 151 (Child Abuse) clearances were not consistently or adequately documented in the personnel files
- Employee files did not contain any documentation on compensation
- Employee files did not contain documentation regarding pay increases or promotions

Finding HR-02 - The HR Department provided Wessel & Company a list of terminated employees who were not removed from the District’s health insurance roster on a timely basis. A total of 82 employees were tested and the following procedures were performed:

- 1) Trace the employee’s termination date, type of health insurance coverage, and the coverage rate to eFinancePlus.
- 2) Calculate the number of days lapsed between the employee’s termination date and the date the District removed the employee from the health insurance coverage
- 3) Calculate a daily rate to be used to determine an estimate of questioned costs paid by the District
- 4) Calculate estimated questioned costs paid by the District

The following table provides a summary of the employees tested, their employee group and an estimate of the questioned costs paid by the District.

Employee Group	# of Employees Tested	Questioned Costs			
		Health Insurance	Dental Insurance	Vision Insurance	Questioned Costs
20-SUB	1	\$ 5,113.26	\$ 166.21	\$ 18.33	\$ 5,297.80
ACT 93	8	94,577.14	3,063.16	338.59	97,978.89
AFSCME	19	290,992.10	10,069.27	1,112.58	302,173.95
HEA	54	401,700.46	13,809.53	1,525.35	417,035.35
	82	\$ 792,382.96	\$ 27,108.17	\$ 2,994.85	\$ 822,485.98

This is a material weakness in the District’s internal controls over insurance benefit termination. While this weakness is due in part to employee turnover within the HR Department, it also is a reflection of management not performing essential monitoring activities surrounding employee benefit costs to ensure the District is being fiscally responsible.

Finding HR-03 - Tracking Employee Vacation, Sick, and Personal Time Usage

Currently there are three (3) different software systems utilized for payroll purposes, eFinancePlus, Time Clock Plus (TCP) and AESOP. These three (3) software programs do not integrate causing an increased risk of error particularly with regard to employee absences. There are a significant number of management level employees who do not use Time Clock Plus on a consistent basis, therefore there are no accurate attendance records for those employees.

To process payroll on a bi-weekly basis, the Payroll Manager is required to edit daily attendance information for employees who do not clock in or clock out each day using TCP. Those salaried employees may have been absent from work, and their usage of vacation, sick or personal time not be reduced accordingly. In effect allowing those employees excess paid time off and excess costs to the District.

We recommend that all School District employees, including management employees, be required to use TCP so an accurate attendance record and audit trail exists for all District staff.

Finding HR-04 - Lack of Awareness of Employee Handbooks

During interviews with various employees in the Human Resources Department, they had no knowledge regarding the existence of the District having an Employee Handbook. Information regarding the existence of employee handbooks came to light during an interview with a District Principal.

Excessive employee turnover in the Human Resources Department and throughout the District increases the risk that policies are not being following and that information is not communicated through proper channels.

Finding HR-05 - Inconsistent Employee Communication

During our engagement, we noted that each school within the District utilizes “their own” employee handbook. Based on our review of several handbooks we noted differences and inconsistent communication with regard to various personnel procedures relating to Personal Leave, Sick Leave, Building Access Procedures, and Dress Code.

Finding HR-06 - Misplaced Step Testing

During our engagement, we were provided with a listing of 28 teachers that contacted the union over concerns of their annual compensation. The District’s Human Resource Department conducted its own review with the Payroll Department to determine the extent of any errors.

Based on our testing, nine (9) of these teachers were correctly paid, 10 of these teachers were underpaid and nine (9) of these teachers were overpaid.

# of Employees Tested	Overpaid	Underpaid	TOTAL
9	\$ 0	\$ 0	\$ 0
10	51,541	0	51,541
9	0	(13,094)	(13,094)
28	\$ 51,541	\$ (13,094)	\$ 38,447

It is unclear as to whether the errors were from a manual input process or whether incorrect data was imported into eFinancePlus. It is clear that upon discovery of the errors, the payroll supervisor made the corrections in the software. However, within two weeks of the corrections, a temporary employee was directed to change the salaries back to the original incorrect amount. It does not appear that employees that were identified as underpaid or overpaid were correctly compensated and current employees are not being paid correctly.

In conjunction with the individuals identified above by the District and ongoing contract negotiations with HEA representatives, the Human Resources Department and Payroll Department identified at least another thirty-two (32) individuals as being placed at the incorrect step and are in fact being overpaid. Additional testing in this area is needed to quantify the excess payments to these employees, but based on the average overpayment noted in the table above (\$5,100), the potential loss could easily exceed an additional \$100,000 for these thirty-two 32 employees.

In addition to the overpayment of wages, the District is also paying additional federal taxes and additional retirement contributions to PSERS which only further increases the District's questioned costs related to this error.

Human Resource Recommendations:

1. We recommend that complete personnel files be maintained for all employees and include the following items:
 - Signed and dated application of employment
 - Form I-9 Employment Eligibility Verification
 - Date of hire
 - Approved pay rate (updated as changes occur)
 - Signed W-4 form
 - Insurance and other benefits election forms
 - Beneficiary designation form
 - Employee's current address and phone number
 - Next of kin's or other emergency contact's name, address, and current daytime phone number
 - Employee evaluations
 - Benefit election forms for terminated or retired employees
2. Vacation, sick, and personal time should be reviewed and reconciled between the three (3) software systems during each pay or on a monthly basis to ensure that compensated absences are correctly tracked and reported.
3. The Human Resources Department should be reviewing the health insurance roster on a monthly basis to ensure that terminated employees are removed and the District is not incurring benefits costs for terminated employees.
4. We recommend that the Harrisburg School District adopt one (1) district-wide employee handbook that uniformly communicates the same policies and procedures to employees throughout the District.
5. Policy should be established to mandate top level employees use their vacation hours. Employees in Management level positions, not utilizing vacation greatly increases the risk of fraud concealment.
6. A comprehensive effort between the Human Resources and Payroll Departments is needed to ensure employee information in eFinancePlus is accurate and consistent with any applicable collective bargaining agreements to avoid individuals being paid incorrectly. We recommend the District make every effort to work with HEA to arrive at a solution to resolve pending grievances associated with the step placement errors so that employees can be correctly compensated.

7. Establish an Employee Fraud Hotline

Harrisburg School District's, Fraud Policy encourages employees to report any suspicions of fraud, financial impropriety or irregularity to report their suspicions to the Superintendent or Board President. Studies show that most frauds are known to someone in the defrauded organization and are revealed after a tip is received from someone with knowledge about the fraud. However, an employee may be reluctant to report suspicions or knowledge of fraud, especially if the perpetrator is someone high up in the organization or someone to whom the employee reports. We recommend that the District consider contracting with a third party vendor for anonymous fraud reporting services.

The very existence of a fraud hotline would serve as a deterrent to misconduct by creating among employees a perception that fraud would be detected and reported. It would also demonstrate the School District's serious intent to prevent and detect fraud. In addition, the hotline could also be used to report incidents of harassment, unsafe working conditions, violence, or violations of laws or regulations. This would allow the School District to address such situations in a timely manner and could help prevent or minimize fines, lawsuits, legal liability, or adverse publicity by demonstrating that the Company has procedures for receiving and addressing complaints.

An effective fraud hotline should have the following features:

- It should be available 24/7. Studies show that 40% of calls to fraud hotlines are made at night or on weekends. Employees typically will not call during normal work hours to report on coworkers or supervisors, and they often will not call back if their first call is not answered.
- The hotline must allow anonymous calls to protect confidentiality so that employees will not fear possible retaliation if they are identified as the whistle-blower.
- Employees should be made aware of the hotline's availability and the reasons why they should use it. This could be done via informational posters, memos, or brochures.

Harrisburg City School District
05 - Payroll Department
Assessment of Responsibilities and Internal Controls

Wessel & Company met with Lori Hegedus, Harrisburg City School District's Payroll Supervisor, to discuss policies, processes and procedures that the district uses related payroll.

Ms. Hegedus noted that all employees are paid bi-weekly by direct deposit.

Ms. Hegedus explained that there are several software programs that the District uses to monitor and track employee time worked as well as compensated absences:

- At the start of the 2016-2017 school year, a software system known as Time Clock Plus (TCP) was integrated into Harrisburg School District's Payroll System. A procedure was established requiring every employee to clock in and out during each day worked. Employee's clock in and out by placing their fingerprint on a biometric fingerprint scanner.
- AESOP (absence tracking software) is used by the Human Resources office to track sick, vacation, and personal days. The Payroll Department receives an export from the Human Resources department for each payroll processed.
- AESOP software is also used by the District's vendor, Substitute Teacher Services (STS), to alert the company's pool of teachers when a position is open and needs filled by a temporary worker.
- TCP and AESOP are imported into eFinancePLUS bi-weekly for payroll preparation purposes.

Ms. Hegedus explained that department supervisors are responsible for approving employee time and ensuring that employee's time is reported correctly.

Harrisburg City School District's Payroll Department maintains a file for each employee that contains documentation for employee pay rates, pay increases and other payroll matters.

Payroll Related Findings:

Finding PD-01 - Wessel & Company performed an analysis of the terms and conditions of Harrisburg School District Superintendent Dr. Sybil Knight-Burney, employment contract. To perform this analysis, we obtained Dr. Knight-Burney's file from the Payroll Department.

We examined the following documents during the preparation of the analysis of Dr. Sybil Knight-Burney's contract:

- Superintendent Contract for the period of July 1, 2014 through June 30, 2018
- Proposed but unapproved Employment Contract from February 2019
- Payroll calculations and other supporting documentation in Dr. Knight-Burney's payroll support file.

We found that the 2014-2018 contract approved by the Board of Directors was not correctly followed; we calculated a potential overpayments to Dr. Knight-Burney amounting to **\$19,208.40**. See Schedule PD 05-1.

Finding PD-02 - Payroll Software Integration

Currently there are three (3) different software systems utilized for payroll purposes, eFinancePLUS, Time Clock Plus (TCP) and AESOP. These three (3) software programs do not integrate causing increased staff time to review and ensure all data is correctly adjusted each pay period. Manual processes tend to increase the risk of error particularly with regard to tracking employee absences for approximately 900 school district employees.

Payroll Related Recommendations:

1. Integrate payroll software systems or set-up a more efficient process to monitor and track employee absences and the employee's usage of vacation, sick or personal hours to ensure accuracy with overall compensated absences.
2. The Payroll Department should prepare reports (by pay code) to be reviewed with the Business Manager on a monthly basis. Establish procedures to monitor overtime costs and analyze other payroll fluctuations. Additional time spend on payroll monitoring an oversight will aid in strengthen internal controls and may help to eliminate unnecessary overtime costs.
3. Procedures need to be establish for supervisors who are not approving employee hours on a timely basis to receive the appropriate disciplinary action.

Harrisburg City School District
Salary Analysis of Superintendent Sybil Knight-Burney
For the Four (4) Year Contract Period of July 1, 2014 - June 30, 2018

School Year	Base Salary	Maximum Performance based Increase for following year	Projected Base for Next Year
2014-2015	\$ 160,000.00	3.00%	\$ 164,800.00
2015-2016	\$ 164,800.00	2.50%	\$ 168,920.00
2016-2017	\$ 168,920.00	3.00%	\$ 173,987.60
2017-2018	\$ 173,987.60	3.00%	\$ 179,207.23

Maximum Salary Projected (4 Years)	\$ 667,707.60
Less 5% Reduction (Recovery Plan 2014-2015)	(8,000.00)
1/30/2015 - retroactive payback of 5% Reduction	8,000.00
5/22/2015 - Refund of Employee Health Care Deductions	599.98
	<u>668,307.58</u>

Total Base Salary Paid (4 Years)	687,516.00
Potential Compensation Overpayment	<u>\$ 19,208.42</u>

School Year	Performance Review Rating (Per Board Minutes)	Support	Base Salary Amount	Performance Based Increase (Per Contract)	Next Year's Projected Increase	Bonus Earned (Based on Performance Rating)	Vehicle Allowance (\$500 X 12 Months)	
2014-2015	Outstanding/Meritorious	PD 05-1a	Approved Per Contract	\$ 160,000.00	3.00%	\$ 164,800.00	\$ 5,000.00	\$ 6,000.00
			5% Reducton in Accordance with Recovery Plan	(8,000.00)				
			1/30/2015 - retroactive payback of 5% Reduction	8,000.00				
			5/22/2015 - Refund of Employee Health Care Deductions	599.98				
			2014-2015 Payments Should be	160,599.98				
Actual 2014-2015 Payments per eFinance (Includes Payback)	160,599.98							
		2014-2015 No Variance	\$ -					
2015-2016	Achieves Expectations	PD 05-1b	2015-2016 Base (Including \$4,800 Increase)	\$ 164,800.00	2.50%	\$ 168,920.00	\$ 2,500.00	\$ 6,000.00
			Actual Paid 2015-2016 Payments per eFinance	168,920.00				
			Overpayment	4,120.00				
			Additional Compensation Calculated and Paid Incorrectly	4,800.02				
		Total 2015-2016 Overpayment	\$ 8,920.02					
2016-2017	Outstanding/Meritorious	PD 05-1c	2016-2017 Base (Including \$4,120 Increase)	\$ 168,920.00	3.00%	\$ 173,987.60	\$ 5,000.00	\$ 6,000.00
			Actual Paid in 2016-2017 per eFinance	173,988.00				
			Overpayment	\$ 5,068.00				
2017-2018	Outstanding/Meritorious	PD 05-1d	2016-2017 Base (Including \$5,068 Increase)	\$ 173,987.60	3.00%	\$ 179,207.23	\$ 5,000.00	\$ 6,000.00
			Actual Paid 2017-2018 per eFinance	\$ 179,208.00				
			Overpayment	\$ 5,220.40				

Total Overpayment Calculation **\$ 19,208.42**

Source: 6.16.14 Board Meeting Mins

At 8:06pm, Ms. Smallwood announced the board would recess to executive session. The board returned at 8:59pm.

Motion: Ms. Frye moved to add Item 10.3AA Approval of the Superintendent’s contract effective July 1, 2014 for a period of four years at an annual salary of \$160,000 subject to a 5% reduction in accordance with the Amended Recovery Plan

Second: Ms. Hodges

Discussion: None

Roll Call:

Ms. Robinson	Yes	Ms. Jackson	Yes	(9) Yes
Mr. Thompson	Yes	Ms. Lawson	Yes	(0) No
Ms. Whitehead-Myers	Yes	Ms. Smallwood	Yes	Motion carried
Ms. Blackston-Bailey	Yes			
Ms. Hodges	Yes			
Ms. Frye	Yes			

Source: 8.4.14 Board Meeting Mins

Agenda 8-4-14
Item 5.1
Approved: 8-4-14

Harrisburg School District Board of School Directors Regular Meeting Agenda - June 16, 2014

10.

OTHER FISCAL MATTERS

Item 10.3AA Approval of the Superintendent’s contract effective July 1, 2014 for a period of four years at an annual salary of \$160,000 subject to a 5% reduction in accordance with the Amended Recovery Plan

Motion: Ms. Lawson moved to approve Item 10.3AA.
Second: Ms. Hodges
Discussion: Mr. Thompson expressed his support for Dr. Knight and stated he was glad about her reappointment. Ms. Lawson called Dr. Knight “a gift from God” and stated she is humbled that Dr. Knight is our superintendent. Ms. Whitehead-Myers said of Dr. Knight, “You rock!” Mr. Cooper complimented Dr. Knight on her composure and poise throughout the negotiation process. Ms. Smallwood thanked D.r Knight for her service of the past three years and looks forward to the next four. Ms. Robinson commented that it is prudent to have Dr. Knight continue as leader of the district.

Roll Call:

Mr. Thompson	Yes	(9) Yes
Ms. Whitehead-Myers	Yes	(0) No
Ms. Blackston-Bailey	Yes	Motion carried
Ms. Hodges	Yes	
Ms. Frye	Yes	
Ms. Jackson	Yes	
Ms. Lawson	Yes	
Ms. Robinson	Yes	
Ms. Smallwood	Yes	

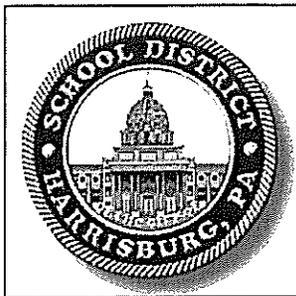
Source : Superintendent's 2014-2018 Contract

4.1 **Salary.** The SCHOOL DISTRICT shall pay the SUPERINTENDENT the sum of ONE HUNDRED SIXTY THOUSAND DOLLARS AND NO CENTS (\$160,000.00) per year as salary in accordance with this AGREEMENT, subject to adjustment in accordance with SCHOOL BOARD action at a public meeting. The payments will be made on the SCHOOL DISTRICT'S normal pay days. All payments specified above shall be subject to applicable federal, state, and local tax withholdings and other proper and/or authorized deductions. The annual salary of the SUPERINTENDENT shall not be decreased during the term of this AGREEMENT without the written agreement of the SUPERINTENDENT.

4.2 **Merit and Bonus Payments.** The SCHOOL BOARD shall award the SUPERINTENDENT a merit and bonus payment as follows:

Performance Level	Salary Adjustment	Bonus Pay
Outstanding/Meritorious	3.0%	\$5,000
Achieves Expectations	2.5%	\$2,500
Needs Improvement	Zero	Zero
Unsatisfactory	Zero	Zero

The salary adjustment shall become part of the SUPERINTENDENT'S base salary, payable in accordance with the provisions of Section 4.1 of this AGREEMENT, and the bonus, if earned, shall be paid to the SUPERINTENDENT in one payment. The SCHOOL BOARD may make additional adjustments to the SUPERINTENDENT'S salary, under its discretion, in accordance with Section 4.1 of this AGREEMENT.



2014 - 2015 Salary Calculation

SYBIL N KNIGHT
110 S 21ST STREET
HARRISBURG, PA 17104

Employee Number: 14207
Check Location: AA
Date of Hire: 7/1/2006

Your regular scheduled hours per day are 7.5

Contract days are 261

Current annual salary is \$152,000.00

New pay rate is \$5,846.15

Hourly Rate is \$77.65

Contact the payroll office with questions: phone x34007 (703-4007)
or email payroll@hbgsd.k12.pa.us.

**Harrisburg School District
Salary Calculation (260 Day)**

July - June 2014-2015 School Year

CHECK DATE: EMP#: 14207 LOC:
 EMPLOYEE: Sybil Knight CODE: 001
 EFFECTIVE DATE: POSITION: Superintendent
 Prepared By: Larissa York 9/22/15 BOARD APPROVED:

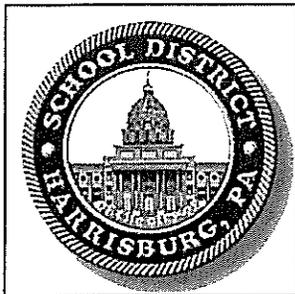
<u>Amount Received-Pay Dates 14/15</u>				<u>Full Salary</u>	<u>Days Worked</u>	<u>Full Year</u>
7/3/14	\$ 5,846.15	1/2/15	\$ 5,846.15	July	23	23
7/18/14	5,846.15	1/16/15	5,846.15	August	21	21
8/1/14	5,846.15	1/30/15 payback	4,615.38	September	22	22
8/15/14	5,846.15	1/30/15	6,153.85	October	23	23
8/29/14	5,846.15	2/13/15	6,153.85	November	20	20
9/12/14	5,846.15	2/27/15	6,153.85	December	23	23
9/26/14	5,846.15	3/13/15	6,153.85	January	22	22
10/10/14	5,846.15	3/27/15	6,153.85	February	20	20
10/24/14	5,846.15	4/10/15	6,153.85	March	22	22
11/7/14	5,846.15	4/24/15	6,153.85	April	22	22
11/21/14	5,846.15	5/8/15	6,153.85	May	21	21
12/5/14	5,846.15	5/22/15	6,153.85	June	22	22
12/19/14	5,846.15	6/5/15	6,153.85	Total Days:	261	261
TOTAL:	\$75,999.95	6/19/15	6,153.85			
		TOTAL:	\$84,000.03			
		GRANT TOTAL	\$159,999.98			

<u>Regular Salary 14/15 (5 % Reinstated. Same Rate as 12/13)</u>				<u>Regular Salary 14/15 (12/13 Less 5% Per CRO Plan)</u>			
Daily Hours:	7.5	Yearly Days:	261	Daily Hours	7.5	Days/Year	261
Daily Rate:	\$ 613.03	Yearly Rate:	\$ 160,000.00	Daily Rate	\$ 582.38	Salary	\$ 152,000.00
Hourly Rate:	\$ 81.74	Bi-Weekly Rate:	\$ 6,153.85	Hourly Rate	\$ 77.65	Bi-Weekly	\$ 5,846.15

Adjustments/Notes: Salary adjustment to \$164,800 (3% raise) per contract.

#Days Worked:	261	164800
Rate:	\$ 613.03	\$159,999.98
Total Earned:	\$160,000.00	\$4,800.02 Still owed pay code 191 ✓

Contract was approved for \$160,000 per year, beginning July 1, 2014 - June 30, 2015. Dr. Sybil Knight- Burney received an additional increase to her base salary during the course of her contract.



2015 - 2016 Salary Calculation

SYBIL KNIGHT
110 S 21ST STREET
HARRISBURG, PA 17104

Employee Number: 14207
Check Location: AA
Date of Hire: 7/1/2006

Your regular scheduled hours per day are 7.5

Contract days are 262

Current annual salary is \$160,000.00

New pay rate is \$6,153.85

Hourly Rate is \$81.42

Contact the payroll office with questions: phone x34007 (703-4007)
or email payroll@hbgsd.k12.pa.us.

**Harrisburg School District
Salary Calculation (260 Day)**

July - June 2015-2016 School Year

CHECK DATE: 9/25/15 EMP#: 14207 LOC: Admin
 EMPLOYEE: Sybil Knight CODE: 001
 EFFECTIVE DATE: 15/16 Sch. Yr. POSITION: Superintendent
 Prepared By: Larissa York 9/22/15 BOARD APPROVED:

<u>Amount Received-Pay Dates 2015/16</u>				<u>Days Worked</u>		
				<u>Full Salary</u>	<u>Full Year</u>	
7/2/15	\$ 6,153.85	1/1/16	\$ 6,496.92	July	23	23
7/17/15	6,153.85	1/15/16	6,496.92	August	21	21
7/31/15	6,153.85	1/29/16	6,496.92	September	22	22
8/14/15	6,153.85	2/12/16	6,496.92	October	22	22
8/28/15	6,153.85	2/26/16	6,496.92	November	21	21
9/11/15	6,153.85	3/11/16	6,496.92	December	23	23
9/25/15	8,555.42 ✓	3/25/16	6,496.92	January	21	21
10/9/15	6,496.92 ✓	4/8/16	6,496.92	February	21	21
10/23/15	6,496.92	4/22/16	6,496.92	March	23	23
11/6/15	6,496.92	5/6/16	6,496.92	April	21	21
11/20/15	6,496.92	5/20/16	6,496.92	May	22	22
12/4/15	6,496.92	6/3/16	6,496.92	June	22	22
12/18/15	6,496.92	6/17/16	6,496.92	Total Days:	262	262
TOTAL:	<u>\$84,460.04</u>	TOTAL:	<u>\$84,459.96</u>			
GRANT TOTAL			<u>\$168,920.00</u>			

<u>14/15 Salary</u>				<u>15/16 Salary (2.5% increase to 14/15)</u>			
Daily Hours:	7.5	Yearly Days:	262	Daily Hours:	7.5	Yearly Days:	262
Daily Rate:	\$ 629.01	Yearly Rate:	\$ 164,800.00	Daily Rate:	\$ 644.73	Yearly Rate:	\$ 168,920.00
Hourly Rate:	\$ 83.87	-Weekly Rate:	\$ 6,338.46	Hourly Rate:	\$ 85.96	3i-Weekly Rate:	\$ 6,496.92

Adjustments/Notes: Salary increased 2.5% for 2015/16 per contract.

#Days Worked: 262
 Rate: \$ 644.73
 Total Earned: \$168,920.00

6153.85 x 26 = 160,000
14/15 Salary in box above is incorrect, it should be \$160,000.

Lori Hegedus

From: Lori Hegedus
Sent: Tuesday, September 22, 2015 4:46 PM
To: Sybil Knight-Burney
Cc: Larissa York; William Gretton
Subject: RE: Superintendent's Salary
Attachments: Knight, Sybil 14-15 correction 9-22-15 lby.xls; Knight, Sybil 15-16 correction 9-22-15 lby.xlsx

Hi Dr. Knight,

According to your contract, there is an annual "Salary Adjustment" associated the Bonus you received for 14/15 and 15/16. The salary adjustment for 14/15 should have been 3% and for 15/16 is 2.5%.

Attached are two salary calculations, one for 14/15 and one for 15/16, reflecting the salary increases. Below is a summary of the information on the attachments:

6/30/14	Salary	\$ 160,000.00 - s/b for 14-15
7/1/14	3% increase for 14/15	\$ 164,800.00 - s/b for 15-16
7/1/15	2.5% increase 15/16	\$ 168,920.00 - s/b for 16-17
		_____ ? s/b for 17-18

The 9/25/15 payroll will include retro pay of \$4,800.02 for 14/15. It will also include a total payment of \$8,555.42 for 15/16 (new biweekly salary of \$ 6,496.92 plus YTD adjustment for increase of \$2,058.50).

Lori Hegedus
 Payroll Supervisor, Harrisburg School District
LHegedus@hbgsd.us Phone 717-703-4032

From: William Gretton
Sent: Tuesday, September 22, 2015 10:50 AM
To: Lori Hegedus
Cc: Sybil Knight-Burney; Larissa York
Subject: Superintendent's Salary

The Superintendent provided me with a copy of her contract and the document indicates that the bonus she received earlier in the fiscal year becomes part of her base salary in the next year. As a result, Dr. Knight-Burney's salary at this time should be \$162,500 as opposed to the \$160,000 base from last year. Please arrange to have the salary adjustment made prior to the next payroll and provide an adjustment for the six (6) previous payrolls received for the current year. If you have any questions concerning this contract, please contact my office at your convenience. Thanks.

William R. Gretton III
 Interim Business Administrator/CFO
wgretton@hbgsd.us
 (717) 703-4095

Evan P. Sokira

From: Justin Porr <JPorr@hbgds.us>
Sent: Thursday, June 27, 2019 11:36 AM
To: Evan P. Sokira
Cc: Janet Samuels
Subject: FW: History of changes to employees pay

Good Morning Evan,

Here is something that has a timeline of the 5% Reduction and Payback scenario. If it suffices, please let me know. In the meantime, I will look for more information to send you before the noon deadline. Thank you.

Sincerely,

Justin Porr

From: Lori Hegedus <LHegedus@hbgds.us>
Sent: Tuesday, December 27, 2016 1:55 PM
To: Justin Porr <JPorr@hbgds.us>; Thomas Imholte <TImholte@hbgds.us>
Subject: RE: History of changes to employees pay

From: Lori Hegedus
Sent: Monday, October 10, 2016 10:16 AM
To: Bilal Hasan <bihasan@hbgds.us>; Justin Porr <JPorr@hbgds.us>; Thomas Imholte <TImholte@hbgds.us>; Kenn Medina <KMedina@hbgds.us>; William Gretton <wgretton@hbgds.us>; Regis Barwin <RBarwin@hbgds.us>; Douglas Harmon <DHarmon@hbgds.us>; Tyrell Spradley <TSpradley@hbgds.us>
Subject: History of changes to employees pay

Below is a list of the changes made to employees pay for the past several years. I thought this may be helpful when reviewing employee Check History in eFinance.

7/10/09	ACT93 raises for 2009/10 (last one before wages were frozen)
7/9/10	AFSCME raises for 2010/11 (last one before wages were frozen)
9/3/10	HEA raise 2010/11 (last one before wages were frozen)
12/21/12	AFSCME 2009/10 13 day payback (Settlement agreement)
8/16/13	HEA 5% wage reduction
6/30/14	AFSCME/HEA 5% retroactive payback (not PSERS eligible)
1/30/15	AFSCME/ACT93 5% retractive payback (not PSERS eligible)
5/22/15	AFSCME/HEA 5% retroactive pay back, PSERS eligible AND 5% wage reinstatement
5/22/15	AFSCME/ACT93/HEA, refund employee health care deductions
11/20/15	ACT93 raises for 2015/16 (retroactive to 7/1/15)
7/11/16	ACT93 raises for 2016/17
8/12/16	HEA retro raise for 2015/16 (27th pay period 189sfor 15/16, HEA & AFSCME prorated received no normal base pay)

Lori Hegedus
Payroll Supervisor, Harrisburg School District
LHegedus@hbgsd.us Phone 717-703-4032

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2016-2017 Salary Calculation

SYBIL KNIGHT
110 S 21ST ST
HARRISBURG, PA 17104-1441

Employee Number: 14207
Check Location: 50
Date of Hire: 7/1/2006

Your regular scheduled hours per day are 7.5

Contract days are 261

Current annual salary is \$172,298.40

New pay rate is \$6,381.42

Hourly Rate is \$88.02

Range:

Step:

Contact the payroll office with questions: phone x34007 (703-4007) or email payroll@hbgd.us

**Harrisburg School District
Salary Calculation (260 Day)**

July - June 2016-2017 School Year

Check Date: 9/9/16
Employee: Dr. Sybil Knight
Effective Date: 7/1/16
Prepared By: L Hegedus 9/7/16

Employee #: 14207 Location: Admin
Pay Code: 001
Position: Superintendent
Board approved:

<u>Amount Received-Pay Dates 2016/17</u>				<u>Days Worked</u>	
				<u>Full Salary</u>	<u>Full Year</u>
7/1/16	\$ 6,256.30	12/30/16	\$ 6,381.42	July	21
7/15/16	6,256.30	1/13/17	6,381.42	August	23
7/29/16	6,256.30	1/27/17	6,381.42	September	22
8/12/16	6,256.30	2/10/17	6,381.42	October	21
8/26/16	6,256.30	2/24/17	6,381.42	November	22
9/9/16	7,007.08	3/10/17	6,381.42	December	22
9/23/16	6,381.42	3/24/17	6,381.42	January	22
10/7/16	6,381.42	4/7/17	6,381.42	February	20
10/21/16	6,381.42	4/21/17	6,381.42	March	23
11/4/16	6,381.42	5/5/17	6,381.42	April	20
11/18/16	6,381.42	5/19/17	6,381.42	May	23
12/2/16	6,381.42	6/2/17	6,381.42	June	22
12/16/16	6,381.42	6/16/17	6,381.42	Total Days:	261
TOTAL:	<u>\$82,958.52</u>	6/30/17	6,381.42		261
		TOTAL:	<u>\$ 89,339.88</u>		
		GRANT TOTAL	<u>\$172,298.40</u>		

<u>Regular Salary 16/17 (before raise)</u>				<u>Regular Salary 16/17 (2% Increase per ACT93)</u>			
Daily Hours:	7.5	Yearly Days:	261	Daily Hours:	7.5	Yearly Days:	261
Daily Rate:	\$ 647.20	Yearly Rate:	\$ 168,920.00	Daily Rate:	\$ 660.15	Yearly Rate:	\$ 172,298.40
Hourly Rate:	\$ 86.29	Bi-Weekly Rate:	\$ 6,256.30	Hourly Rate:	\$ 88.02	3i-Weekly Rate:	\$ 6,381.42

Adjustments/Notes: Salary increased 2% for 2016/17 per ACT93 group raise.

#Days Worked:	261
Daily Rate:	\$ 660.15
Total Earned:	<u>\$172,298.40</u>

9/7/16 emended to emp/LH

Incorrectly used Act 93 group to calculate salary.

Harrisburg School District
Salary Calculation (260 Day)

July - June 2016-2017 School Year

Check Date: 10/21/16
 Employee: **Dr. Sybil Knight**
 Effective Date: 7/1/16
 Prepared By: L Hegedus 10/12/16

Employee #: 14207 Location: Admin
 Pay Code: 001
 Position: Superintendent
 Board approved:

<u>Amount Received-Pay Dates 2016/17</u>				<u>Days Worked</u>	
				<u>Full Salary</u>	<u>Full Year</u>
7/1/16	\$ 6,256.30	12/30/16	\$ 6,444.00	July	21
7/15/16	6,256.30	1/13/17	6,444.00	August	23
7/29/16	6,256.30	1/27/17	6,444.00	September	22
8/12/16	6,256.30	2/10/17	6,444.00	October	21
8/26/16	6,256.30	2/24/17	6,444.00	November	22
9/9/16	7,007.08	3/10/17	6,444.00	December	22
9/23/16	6,381.42	3/24/17	6,444.00	January	22
10/7/16	6,381.42	4/7/17	6,444.00	February	20
10/21/16	6,944.58	4/21/17	6,444.00	March	23
11/4/16	6,444.00	5/5/17	6,444.00	April	20
11/18/16	6,444.00	5/19/17	6,444.00	May	23
12/2/16	6,444.00	6/2/17	6,444.00	June	22
12/16/16	6,444.00	6/16/17	6,444.00	Total Days:	261
TOTAL:	<u>\$83,772.00</u>	6/30/17	6,444.00		261
		TOTAL:	<u>\$ 90,216.00</u>		
		GRANT TOTAL	<u>\$173,988.00</u>		

Regular Salary 16/17 (before raise)				Regular Salary 16/17 (2% Increase per ACT93)			
Daily Hours:	7.5	Yearly Days:	261	Daily Hours:	7.5	Yearly Days:	261
Daily Rate:	\$ 647.20	Yearly Rate:	\$ 168,920.00	Daily Rate:	\$ 660.15	Yearly Rate:	\$ 172,298.40
Hourly Rate:	\$ 86.29	Bi-Weekly Rate:	\$ 6,256.30	Hourly Rate:	\$ 88.02	3i-Weekly Rate:	\$ 6,381.42
Regular Salary 16/17 (3% Raise per Terms of Contract)							
Daily Hours:	7.5	Yearly Days:	261	Daily Hours:	7.5	Yearly Days:	261
Daily Rate:	\$ 666.62	Yearly Rate:	\$173,988.00	Daily Rate:	\$ 666.62	Yearly Rate:	\$173,988.00
Hourly Rate:	\$ 88.88	3i-Weekly Rate:	\$ 6,444.00	Hourly Rate:	\$ 88.88	3i-Weekly Rate:	\$ 6,444.00

Adjustments/Notes: Salary increased 2% for 2016/17 per ACT93 group raise. Raise should have been based on terms of contract.

Ken gave to Dr. Knight
10/14/16

#Days Worked:	261
Daily Rate:	\$ 666.62
Total Earned:	<u>\$173,988.00</u>



2017-18
~~2016-2017~~ Salary Calculation

SYBIL KNIGHT
110 S 21ST ST
HARRISBURG, PA 17104-1441

Employee Number: 14207
Check Location: 50
Date of Hire: 7/1/2006

Your regular scheduled hours per day are 7.5

Contract days are 260

Current annual salary is \$173,988.00

New pay rate is \$6,691.85

Hourly Rate is \$89.22

Range:

Step:

Contact the payroll office with questions: phone x34007 (703-4007) or email payroll@hbgsd.us



2018-19
~~2017-2018~~ Salary Calculation

SYBIL KNIGHT
110 S 21ST ST
HARRISBURG, PA 17104-1441

Employee Number: 14207
Check Location: 50
Date of Hire: 7/1/2006

Your regular scheduled hours per day are 7.5

Contract days are 260

Current annual salary is \$179,208.00

New pay rate is \$6,892.62

Hourly Rate is \$91.90

Range:

Step:

Contact the payroll office with questions: phone x34007 (703-4007) or email payroll@hbgsd.us

Harrisburg City School District
06 - Information Technology Department
Assessment of Responsibilities and Internal Controls

In response to the **Pennsylvania Auditor General's Finding No. 5** from the October 2015 Report, Wessel & Company developed procedures to review the current status of IT issues identified and corrective action taken in response to those findings. Those procedures and results are outlined in **Section 2** of this report.

The District maintains an Information Technology (IT) Department that consists of seventeen (17) employees, the following staff members Manage the District's IT Department and day-to-day operations:

- Craig Glass, IT Department Manager
- Adam Nornhold, IT Assistant Manager

The following background information was provided by Mr. Glass or Mr. Nornhold.

The District utilizes Capital Area Intermediate Unit (CAIU) to provide digital backups services. The cost of maintaining electronic data backup and maintenance for eighty-five (85) virtual servers was significantly more expensive.

Mr. Glass developed a 5-year plan for IT budget purposes and district-wide technology needs. The plan is usually reviewed and updated annually as part of the budget process.

Financial resources available for the Internal Technology Department continues to be cut year after year. The prior year IT budget was reduced by \$600,000. Half of IT's budget covers the costs of service contracts and software, and there is additional left for other uses.

IT Management meets with principals and teachers annual to monitor and assess classroom technology needs. Most, but not all classrooms have technology in them, implementation of technology is a work in progress, and will depend on funding from year to year. Schools receiving Significant Improvement Grant (SIG) funding have plenty of technology.

Mr. Glass uses Costar vendors as much as possible, and he is aware of the District's purchasing guidelines and bid requirements.

The IT Department performs a critical internal control function by regularly monitoring terminated employees and deactivating their log-in access and software rights, as well as setting up log-in access and rights for new employees and subcontract individuals. Access to electronic files and software is determined by position to better control information access needs by position.

OnBase is an integrative software that allows documents to be scanned in as well as stored/indexed. The software was originally purchased for Human Resources specifically for tracking and easy access of employee documents.

Documents Examined:

- 5-year IT Department Plan
- List of High-Level Access Rights in TCP
- Board Breach Policy
- Cell Phone Use Policy
- eFinance list of department role

Conclusion:

See **Section 2** of this report for our follow-up to the Auditor General's findings related to Harrisburg City School District's Information Technology findings.

We noted that both password security controls and non-disclosure clauses for software vendors have been implemented; however, the District has not yet developed a formal written Disaster Recovery Plan. **We noted no additional findings.**

	<p align="center">Information Technology Department</p> <p align="center">Craig Glass - IT Department Manager cglass@hbgsd.us 717-554-5251 X31574</p> <p align="center">--</p>	
<p align="center">Applications Team</p> <p>Joseph McCauslin - Assistant IT Department Manager/Applications jmccauslin@hbgsd.us 717-829-5581 X34231</p> <p align="center">--</p> <p>Quetrina Sims-Shelton (Applications Specialist) qsims-shelton@hbgsd.us 717-554-5324 X34133</p> <p>Tracey Thompson (Data Specialist) tthompson@hbgsd.us 717-884-4968 X34048</p>	<p align="center">Network Team</p> <p>Adam Nornhold - Assistant IT Department Manager/Network anornhold@hbgsd.us 717-554-5040 X34044</p> <p align="center">--</p> <p>Christian Clouser – (Network/Website Administrator) ccclouser@hbgsd.us 717-526-8627 X34158</p> <p>Matt Gaidis – (Network Support Specialist - Phones) mgaids@hbgsd.us 717-648-3117 X31415</p> <p>Cody Bilger (Network Support Specialist - Security) cbilger@hbgsd.us 717-982-8665 X34467</p>	<p align="center">Building Support Team</p> <p>Kenneth Greene kgreeneg@hbgsd.us SciTech High 717-554-5042 X34142</p> <p>Lennis Torres ltorres@hbgsd.us Camp Curtin 717-686-2836 X34076</p> <p>Alex Dominguez adominguez@hbgsd.us Foosse, Ben Franklin 717-798-0457</p> <p>Kris Wingert kwingert@hbgsd.us John Harris High 717-614-7252 X34361</p> <p>Shawn Oliveira soliveira@hbgsd.us Lincoln / Cougar Academy 717-554-7877</p> <p>Troy Harmon tharmon@hbgsd.us Downey, Hamilton 717-554-9755</p> <p>Jason Hurst jhurst@hbgsd.us Rowland 717-512-4735</p> <p>Tyler Trexler ttrexler@hbgsd.us Marshall 717-216-7485 X34430</p> <p>Shawn Dubs sdubs@hbgsd.us Melrose, Scott 717-512-6803</p>



HARRISBURG SCHOOL DISTRICT
1601 State Street - Harrisburg, PA 17103
(717) 703-4000 -FAX (717) 703-4140

INFORMATION TECHNOLOGY

Purpose of Proposal

In accordance with current District changes, reorganization, and efficiency planning, this proposal is designed to align the structure and goals of the Information Technology Department with the overall goals of the Harrisburg School District moving forward.

Current State of the Information Technology Department

The Information Technology department began the 2017/2018 school year with 18 employees, consisting of the following:

- (1) IT Manager
- (1) IT Assistant Manager – Applications
- (1) IT Assistant Manager – Network
- (4) Applications Team Members
- (3) Network Team Members
- (9) Building Support Team Members

Software Support

The applications team, consisting of a manager and 4 team members is currently responsible largely for the District's Student Information System, student data and reporting, and the SchoolMessenger communications system. Personnel within the team are responsible for very specific duties and tasks relating to these systems. Some team members are responsible for much more than others, and there is a strong inconsistency in the amount of responsibilities and duties of team members as well as many examples of personally guarded information silos which create a single point of failure for critical District processes and systems. In addition to these downfalls, many software support services have been placed on IT Department staff who are not members of the Applications Team because job descriptions and assignments have been continuously used as an excuse to avoid the undertaking of responsibility for new software systems.

The goal of this department reorganization for the Applications Team members is to dissolve the protections, personal responsibility, and knowledge guarding that currently exists within the team. The team will be renamed from "Applications" to "Software Support." A more generalized set of titles, responsibilities, and cross-training imperative will be introduced into the Software Support team. In addition to this, one staff member currently under the Network Team will be transitioned to the Software Support team (to align duties with the title), one Applications Team staff member will be transitioned to the Building Support Team, and one Building Support Team staff member will be transitioned to the Software Support team to better utilize an existing skillset. The current IT Assistant Manager in charge of the Applications Team will be transitioned to the Software Support team as a member. One Applications Team position will be eliminated.

Infrastructure Support

The network team, consisting of a manager and 3 team members is currently responsible for all aspects of network, security, telecommunications, servers, user accounts, hardware configuration, infrastructure installation and maintenance, and many software systems. Personnel within the team are responsible for largely specific duties and tasks relating to these systems. Responsibility between team members is relatively evenly distributed, but there is a strong lack of cross-training in the systems, which creates single points of failure for critical District processes and systems. One Network Team member is currently responsible for the District Website and certain student information systems, and although the original intent was for this team member to perform more network support related duties, it has become apparent that the position is better suited to be moved to the Software Support team.

The goal of this department reorganization for the Network Team members is to remove barriers between team members and implement more cross-training between members to eliminate points of failure within the team. The team will be renamed from "Network" to "Infrastructure Support." A more generalized set of titles, responsibilities, and cross-training imperative will be introduced into the Infrastructure Support

Team. As mentioned above, one staff member currently under the Network Team will be transitioned to the Software Support team (to align duties with the title).

Building Support

The building support team, consisting of 9 team members has been a consistent team within the department. This year, we had one team member resign, and we are not replacing the position. The main weakness within this team is the lack of inter-building communication or cross-training. Technicians are each responsible for a building or set of buildings, and communications or visits to other buildings has not been a regular occurrence. When we have a team member out sick or on vacation, we have incredibly apparent lack of ability to provide coverage, especially when building-specific needs occur.

The goal of this department reorganization for the Building Support Team members is to remove barriers between technicians throughout the District and encourage either partnering or inter-building visits between technicians in order to eliminate single points of failure and knowledge silos. In addition to losing one team member through resignation, one Building Support team member will be moved, as mentioned above, to the Software Support team to better utilize their skillset, and one Software Support team member will be moved to the Building Support team to better utilize their skillset.

Department Management

In accordance with the current District changes, it has become apparent that having a manager and two assistant managers within the department is not needed or necessarily effective. In order to better organize the department, the two assistant manager positions are being eliminated. The department will be led by a Technology Integration Coordinator whose main focus is the integration of technology and technical services with other District initiatives and a single IT Manager whose main focus is hardware, infrastructure, and end user support.

Proposed State of the Information Technology Department

The Information Technology department will begin the 2018/2019 school year with 16 employees, consisting of the following:

- (1) Technology Integration Coordinator
- (1) IT Manager
- (4) Software Support Team Members
- (2) Infrastructure Support Team Members*
- (8.5) Building Support Team Members

Overall Vision and Goals

In summary, the overall vision and goals for this department reorganization are to eliminate leadership confusion, knowledge silos, and the ability for job descriptions to be used in order to avoid assignment of new responsibilities. In order to move the department as well as the District as a whole forward, we need to follow a more defined vision, eliminate unnecessary positions, and evenly distribute duties, as well as cross-train on all responsibilities within the scope of each “team” so that we can operate more effectively and efficiently as a department.

Secondarily, the Information Technology department has operated for many years “behind the scenes.” While technology systems in the District have been maintained and supported, the department has not been involved in many critically important conversations that have occurred and need to occur throughout other departments and with District Administration. Moving forward, one of the primary goals of the IT Manager and the Information Technology department is to be directly involved in process and system review throughout the District, particularly with a new Process Review Committee in order to create and provide technology and process solutions that can be utilized in order to streamline and increase efficiency and effectiveness in every aspect of District operations. The District can and will implement new and improved solutions across the board in order to better utilize our resources and personnel, aligning with the goals of the District Comprehensive Plan and the Recovery Plan. This department reorganization is the first step in ensuring that the Information Technology department can position itself to best assist in these goals and initiatives. Optimizing operations, processes, support, efficiency and cost are key to creating an environment that will allow the Harrisburg School District to provide the best education and ultimate success for our students.

Technology Integration Coordinator

- DISTRICT TECHNOLOGY DIRECTION, PROCESS REVIEW AND PLANNING
- TECHNOLOGY DEPARTMENT MANAGEMENT, OVERSIGHT, AND GUIDANCE
- PURCHASING, VENDOR RELATIONS, AND BUDGETING (LEAD)
- COORDINATE EXTERNAL SUPPORT (STAFF TRAINING, INTERMEDIATE UNITS, TECHNOLOGY ADVISORY COUNCIL)
- VMWARE VIRTUAL MACHINES (74 SERVERS)
- ACTIVE DIRECTORY, GROUP POLICY, ACCOUNTS, AND SECURITY
- EXCHANGE MAIL SYSTEM
- SQL SERVERS, MYSQL SERVERS, AND DATABASE ADMINISTRATION
- FILE SERVERS AND NETWORK FILE SHARES
- LICENSING AND SUPPORT CONTRACTS (ADOBE, MICROSOFT, TEAMVIEWER, ZOOM, VMWARE, NIMBLE, DELL, ETC...)
- KIMONO SIF ZONE SERVICES
- NIMBLE STORAGE
- HP/DELL SERVER INFRASTRUCTURE
- SYSTEM CENTER CONFIGURATION MANAGER
- TRANSFINDER
- UNITRENDS AND OTHER BACKUP SYSTEMS
- CREATE, IMPLEMENT, AND EVALUATE DISTRICT PROJECTS AND GOALS IN ACCORDANCE WITH 5 YEAR PLAN AND RECOVERY PLAN
- COMMUNICATION OF TECHNOLOGY DEPARTMENT NEEDS TO **BUSINESS MANAGER**

<p>IT MANAGER</p>	<ul style="list-style-type: none"> ● TELECOMMUNICATIONS AND SECURITY OVERSIGHT AND PLANNING ● CRITICAL SYSTEMS PLANNING AND MAINTENANCE ● BUILDING SUPPORT OVERSIGHT, BUILDING LEADERSHIP COMMUNICATIONS ● OFFICE 365 / GOOGLE APPS ● HARDWARE INVENTORY AND CONFIGURATION ● PURCHASING, VENDOR RELATIONS, AND BUDGETING FOR HARDWARE (SUPPORT) ● NETWORK SECURITY, FIREWALL, ROUTING, SWITCHES, CONTENT FILTER, INTRUSION DETECTION SYSTEMS ● DOMAIN NAME REGISTRATION AND SSL CERTIFICATE SERVICES ● DNS AND DHCP SERVICES ● REMOTE AND VPN ACCESS ● DIGITAL DOCUMENT STORAGE (MICROFICHE, DOCUSCAN, DOCUSHARE, ONBASE) ● COMMUNICATION OF INFRASTRUCTURE AND BUILDING NEEDS TO TECHNOLOGY INTEGRATION COORDINATOR
<p>INFRASTRUCTURE SUPPORT INFRASTRUCTURE SUPPORT</p>	<ul style="list-style-type: none"> ● DVR/CAMERA SYSTEMS ● FOB/DOOR CONTROLS AND SECURITY ● ON-PREMISE TELECOMMUNICATIONS ● CELLULAR TELECOMMUNICATIONS ● TIMECLOCK PLUS HARDWARE AND BACKEND ● RUCKUS WIRELESS HARDWARE/SOFTWARE ● PAPER CUT PRINTING HARDWARE/SOFTWARE ● WAREHOUSE MANAGEMENT ● RAPTOR HARDWARE/SOFTWARE ● PRIMEROEDGE ● ABSOLUTE COMPUTRACE DEVICE TRACKING ● POLICE INVESTIGATION COMMUNICATIONS (PHONE, SECURITY, TRACKING) ● ARAMARK SERVICES AND SUPPORT ● THE NUTRITION GROUP SERVICES AND SUPPORT ● NETWORK UPS/HVAC MAINTENANCE ● NRG HVAC SOFTWARE ● PSYCHOLOGIST SERVICES AND SUPPORT ● TSM SERVERS FOR PSSA, CDT, KEYSTONE ● KAREN SNIDER MHC AND HAMILTON HEALTH CENTER SERVICES AND SUPPORT ● VEHICLE MAINTENANCE ● COMMUNICATION OF INFRASTRUCTURE NEEDS TO IT MANAGER
<p>BUILDING SUPPORT HHS SCITECH CAMPUS</p> <p>BUILDING SUPPORT DOWNEY, HAMILTON</p> <p>BUILDING SUPPORT (.5) LINCOLN/COUGAR ACADEMY</p> <p>BUILDING SUPPORT MELROSE, SCOTT</p> <p>BUILDING SUPPORT HHS JOHN HARRIS CAMPUS</p> <p>BUILDING SUPPORT BEN FRANKLIN, FOOSE</p> <p>BUILDING SUPPORT ROWLAND</p> <p>BUILDING SUPPORT MARSHALL</p> <p>BUILDING SUPPORT CAMP CURTIN</p>	<ul style="list-style-type: none"> ● BUILDING LEVEL END USER SUPPORT (STAFF AND STUDENT) ● HARDWARE MAINTENANCE, INVENTORY, AND REPLACEMENT ● SOFTWARE UPDATES, SUPPORT AND FRONT LINE ASSISTANCE ● COMMUNICATION OF BUILDING NEEDS TO IT MANAGER

SOFTWARE SUPPORT

SOFTWARE SUPPORT

SOFTWARE SUPPORT

SOFTWARE SUPPORT

- ESCHOOL PLUS
- EFINANCE PLUS
- IEP PLUS
- COGNOS REPORTING
- AESOP
- TIMECLOCK PLUS
- SCHOOLMESSENGER
- DRC EDIRECT - FOR CDT, PSSA, KEYSTONE
- DESTINY LIBRARY SOFTWARE
- DISCOVERY EDUCATION
- IMAGINE LEARNING
- LIFETOUCH STUDENT PHOTOS
- MY LEARNING PLAN
- ONHAND SCHOOLS
- PEARSON
- POWER LIBRARY
- SCHOLASTIC
- THINKCENTRAL/HRW/ED
- WORLDBOOK
- XAP CHOICES 360
- COMPASS LEARNING
- END USER TRAINING
- COMMUNICATION OF SOFTWARE SUPPORT NEEDS TO **TECHNOLOGY INTEGRATION COORDINATOR**

Harrisburg City School District
07 - Federal Programs
Assessment of Responsibilities and Internal Controls

Wessel & Company met with Damali Brunson-Murray, Federal Programs Manager, to discuss the policies, processes and procedures that the District uses related to the District's Grants Management function.

Ms. Brunson-Murray explained that she her responsibilities include the following:

1. Work with the Business Manager and Program Administrator to prepare the annual grant applications for various state and federal programs. The only programs she is not involved with are related to the District's School Nutrition Program which is maintained by the Food Service Director.
2. Review and approve federal program purchases, including personnel costs.
3. For personnel and benefit costs charged to federal programs, the District maintains semi-annual certifications to support individual employee time and effort.
4. Review the grant budget to actual reports on a quarterly basis.

The District's annual Single Audit, noted the following areas of noncompliance:

1. Excess interest was earned on federal funds – 2017 and 2018
2. Failure to obtain signed time and effort documentation – 2017
3. Failure to file federal financial reports on a timely basis – 2018

As a part of our engagement, we reviewed the status of the District's Single Audit findings in further detail.

1. Excess Interest Earned

The Federal Government is responsible for providing the governing requirements for cash management. *Those requirements are contained in Office of Management and Budget (OMB) Circular A-110 (2 CFR section 215.22).* Those requirements state, "When awards provide for advance payments, recipients must follow procedures to minimize the time elapsing between the transfer of fund from US Treasury and disbursement".

The District receives the majority, if not all, of its federal funding through the Commonwealth of Pennsylvania and the same requirement applies to Harrisburg City School District when receiving federal funds from a state agencies. However, the cash management requirements only apply to the District when federal funds are received in advance of program expenditures. Examples of funding received in advance would be Title I, Title II and the School Improvement Grant (SIG).

Since the District had findings of noncompliance in this area, the District was required to develop a "**Corrective Action Plan**" to accompany the annual Single Audit and was submitted to the Federal Audit Clearinghouse for oversight agency review. The 2018 Corrective Action Plan states the District's response to [Finding SA 2018-001](#), "*The District has developed procedures to track and submit interest earned on cash advances quarterly.*" The District's policy #626 states on page 15, "The District shall attempt to expend all advances of federal funds within seventy-two (72) hours of receipt."

As a part of our engagement, we requested a copy of the District's March 31, 2019 analysis that tracks interest earned on federal funds. **No such analysis was provided by the District.**

Finding FP-01 – The District does not have sufficient internal controls in place to ensure that cash management requirements over federal funds are being complied with on a timely basis. We recommend the District establish these procedures in writing as well as implement control activities to ensure these calculations are being performed on a quarterly basis.

2. Time and Effort Documentation

Similar to the cash management requirements described above, the District must comply with "Level of Effort" requirements, also referred to as 'Time and Effort', which are also established by OMB under Uniform Grant Guidance. The specific requirements for level of effort are unique to each Federal program and are found in the laws regulations and the provisions of contract or grant agreements pertaining to the program.

As a whole, the District has adopted policy [#626 – Federal Fiscal Compliance](#). On page 3, the policy states, *"All District employees paid with federal funds shall document the time they expend in work performed in support of each federal program in accordance with the law."*

Since the District had findings of noncompliance in this area, the District was required to develop a **"Corrective Action Plan"** to accompany the annual Single Audit and was submitted to the Federal Audit Clearinghouse for oversight agency review. **The 2017 Corrective Action Plan** states the District's response to [Finding SA 2017-002](#), *"The District has developed procedures to track and complete time and effort documents in a timely manner for all grants."* In the 2018 Single Audit, this finding was considered to be resolved by the Federal Program Department.

As part of our testing, we selected forty-eight (48) employees charged to the District's School Improvement Grant (SIG) program at John Harris High School. We then selected three pay periods and requested (1) approved time sheets to support time charged to the program and (2) semi-annual certifications which are utilized by the District to document time and effort to federal programs. While certain payroll reports were made available upon request, the testing could not be completed because the District was unable to provide the semi-annual certifications to support payroll costs charged to the SIG program for John Harris High School. Total payroll and benefits charged to the 2017-2018 SIG program amounted to **\$228,216.58** in questioned costs.

The District is not in compliance with Board policy #626 or federal program requirements for time and effort documentation.

Finding FP-02 – The District does not have sufficient internal controls in place to ensure that appropriate documentation is maintained to support time and effort charges to federal programs. Given the labor intensive nature of educational programming, the majority of federal funding offsets the District's cost for personnel and benefits. We recommend the District review its internal procedures for documenting employee time and effort, establish these procedures in writing, and implement control activities to ensure the semi-annual certifications are being properly maintained.

3. Federal Financial Reports

The Federal Government is responsible for providing the governing requirements for financial reporting. Those requirements are contained in *Office of Management and Budget's (OMB) Uniform Grant Guidance (2 CFR section 200)*. Those requirements state, "Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB". These reports provide program outlays and program income on a cash or accrual basis as prescribed by the Federal awarding agency.

Since the District had findings of noncompliance in this area in 2018, the District was required to develop a "**Corrective Action Plan**" to accompany the annual Single Audit and was submitted to the Federal Audit Clearinghouse for oversight agency review. The 2018 Corrective Action Plan states the District's response to [Findings SA 2018-002 and SA 2018-003](#), "*The District will implement a schedule of all reporting due dates and monitoring compliance with filing due dates on a monthly basis.*"

As a part of our engagement, we requested a copy of the District's fiscal year 2018-2019 schedule of reporting due dates that is being utilized by the District to monitor compliance. Upon inquiry with the District's Federal Programs Coordinator, no such schedule exists, rather the District relies on weekly and/or monthly email notices to file required reports.

The District does not maintain a due date schedule to monitor its compliance with federal program reporting due dates as represented in its 2018 Single Audit.

Finding FP-03 – The District does not have sufficient internal controls in place to ensure that federal financial reports are being submitted to oversight agencies on a timely basis. We recommend the District establish written procedures on how it will monitor federal reporting due dates, and implement control activities to ensure reports are submitted timely.

Other

During our testing of the above requirements, along with the detailed cash disbursement testing performed as part of the agreed-upon procedures engagement, we had selected three (3) different transactions that indicated they were for "**Travel Advances**" and in at least one (1) case, the transaction was associated with federal funds. In addition to the funds being advanced to the employee, no documentation was attached to the purchase order to support how the funds were used and whether or not funds should have been returned to the District.

Based on our review of the [District's approved policy #626](#) on page 7, "*All travel costs must be presented with an itemized, verified statement prior to reimbursement. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award and (2) the costs are reasonable and consistent with the District's established policy.*"

The District's policy **does not allow** for travel advances with federal funds.

Finding FP-04 – The District should discontinue the practice of providing travel advances for employees as it results in noncompliance with the District's policy #626. In addition, we recommend the District implement stronger internal controls over cash disbursements to ensure travel expenses are reimbursed after all expenses are itemized and properly documented in accordance with the policy.



THE SCHOOL DISTRICT OF
THE CITY OF HARRISBURG, PA
1601 State Street
HARRISBURG, PA 17103-1466

PNC BANK, N.A. 001
JEANNETTE, PA

60-162
433

CHECK DATE
07/24/15

CHECK NO.
106143

AMOUNT

\$*****1,347.00*

PAY THE SUM OF *****1347* DOLLARS AND *NO* CENTS

TO THE ORDER OF BILAL HASAN
2501 GARRISON AVENUE
HARRISBURG PA 17110

John L. P.
William R. Ketter

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

⑈9190106143⑈ ⑆043301627⑆ 1017294329⑈

VENDOR NO. 12511

CHECK NO. 106143

ACCOUNT	PURCH. ORDER	INVOICE NUMBER	AMOUNT	DESCRIPTION
1011909640040490 580	16000209	ADVANCE/CONF	1,347.00	21ST CCLC CONFERENCE

12511 BILAL HASAN

Bill To:

Harrisburg City School District
Harrisburg City School District
1601 State Street
Harrisburg, PA 17103

Accounts Payable
Phone: (717) 703-4002
Fax: (717) 703-4127

Vendor:

12511
Bilal Hasan
2501 Garrison Avenue
Harrisburg, PA 17110

Attn: Employee

Phone: (717)671-8037
Fax:

Purchase Order Comments:



PURCHASE ORDER

16000209

Page: 1

Release Method: Hard Copy

Release Date: 07/22/2015

Need By Date: n/a

Print Date: 07/22/2015

Ship To:

ADMIN - FEDERAL PROGRAMS
1601 State Street
Harrisburg, PA 17103

Secretary, Bldg

Phone: 7177034164

Fax: 7177034164

ADVANCE
Return Receipts To
Accounts Payable Within
30 Days

Requisition Numbers: 51769

Requisitioner Name(s): Bilal Hasan

Vendor Item	QTY	UOM	Description	Unit Price	Total Price
	1	Each	21st CCLC Conference Advance Meals, Hotel, Flight	\$1,347.00	\$1,347.00
Deliver To: Hasan, Bilal					
					Sub Total: \$ 1,347.00
					Total: \$ 1,347.00

Account Code Summary		
Account Code	Account Description	Amount
1011909640040490/580	TRAVEL	\$1,347.00

Terms and Conditions:

NET 30 DAYS

NO INVOICE WILL BE PAID WITHOUT A VALID HARRISBURG SCHOOL DISTRICT PURCHASE ORDER.

ALL INVOICES MUST BE MAILED TO THE BUSINESS OFFICE LOCATED AT 1601 STATE STREET HARRISBURG, PA 17103

This purchase order has been approved by _____

William R. Gretton
Interim Business Administrator

POSTED
2015 JUL 22 PM 2:16
RECEIVED
BUSINESS SERVICES

Harrisburg City School District
08 - Child Accounting Department
Assessment of Responsibilities and Internal Controls

In response to the **Pennsylvania Auditor General's Finding No. 4** from the October 2015 Report, Wessel and Company developed procedures to determine whether or not the District implemented the corrective action plan to ensure that child accounting data was verifiable and reliable. These procedures and results are outlined in **Section 2** of this report.

The District maintains a Child Accounting Department that consists of the following four staff members:

- Mary Lou Sypolt, Coordinator
- Rick Lejkowski, Assistant Coordinator
- Maria Alvarez, Accountant
- Julia Klitch, Secretary

The primary purpose of the Child Accounting Department is to ensure students are properly registered or withdrawn on a timely basis as well as to account for District students who are placed in charter schools, cyber charter schools, and other educational facilities. The District typically sees kindergarten enrollment numbers between March and September of approximately 600 students. In addition to the new kindergarten students, the department processes close to 1,000 registrations for other grade levels. The District has a very heavy transient population which presents a significant challenge to ensure enrollment records are accurate and updated on a timely basis.

The child accounting department utilizes a software eSchoolPlus which is developed by PowerSchool to track student data. Reports are then generated and submitted through the Pennsylvania Information Management System (PIMS) which was developed by the Pennsylvania Department of Education.

As for the accounting of charter school and cyber charter school students, the individual charter and cyber charter schools send a monthly invoice and supporting documentation for student attendance to the child accounting department. This information is reviewed in detail to ensure that the District is being billed for students that reside in the District. The District also verifies that it has a signed Student Enrollment Notification Form on file and an Individualized Education Plan (IEP) for special education students. Once the invoice data is reviewed and approved for payment, it is sent to the Business Office. In addition to the normal cash disbursement process, Doug Harmon, Accountant, summarizes and tracks the tuition rate, number of students and amount paid to each entity. This process allows the Business Office to reconcile monthly payments by school and summarize the annual activity in a centralized workbook.

Response to the understanding above:

- 1) Wessel & Company obtained a summary of cyber charter schools for 2016-2017 and selected two schools that comprised 30% of the District's annual cyber charter tuition expenditures.
- 2) For each cyber charter school, we performed the following:
 - a. Trace and agree the number of students on the monthly invoice to the District's enrollment data for that school.
 - b. Trace and agree the monthly invoice amount to the purchase order amount.

- c. Verify each student listed on the District's monthly reconciliation report had a signed "Charter School Student Enrollment Notification Form" on file and an Individualized Education Plan (IEP), if applicable.
- 3) Wessel & Company obtained a summary of charter schools for 2016-2017 and selected four schools that comprised 30% of the District's annual charter tuition expenditures.
- 4) For each cyber charter school, we performed the following:
 - a. Trace and agree the number of students on the monthly invoice to the District's enrollment data for that school.
 - b. Trace and agree the monthly invoice amount to the purchase order amount.
- 5) Obtain the Charter School Tuition reconciliation workbook and perform the following for each of the last three fiscal years.
 - a. Compare the total amount paid for each school to the amounts paid from the District's check register.
 - b. Review variances for further explanation
- 6) For fiscal year 2017-2018, we obtained the SIS report for each School Calendar to get the total Average Daily Membership (ADM) and compare those reports with the PIMS report for each School Calendar that was submitted to the State. **We calculated a minor enrollment variance of 7.148. Enrollment was reported lower to the State as compared with their internal SIS Reports. See [Section 2](#) of this report for additional details.**

Conclusion:

It appears that internal controls over the monthly reconciliation of charter and cyber charter school invoices are functioning as designed. Additional monitoring and tracking of the charter school invoices by the Business Office are reconciling to the amounts paid by the District. **No findings or other recommendations were noted as a result of our procedures.**

Harrisburg City School District
09 - Transportation Department
Assessment of Responsibilities and Internal Controls

Wessel & Company met with Jodi Davis, Transportation Supervisor. Ms. Davis has been in her current role since December 2018. Her previous position at the District was as a staff accountant in the business office. Overall, she's been with the District 16 years.

During our interview with Jodi Davis, we inquired about her knowledge of the previous Transportation Supervisor and the surrounding fraud. We also inquired if she had received a copy of the forensic audit report. While Ms. Davis was aware of the allegations of misappropriated District funds, she indicated that she has not been provided with a copy of the forensic audit report.

The forensic audit described two (2) scenarios in which the previous transportation director was manipulating district checks and depositing District funds into her personal bank account. In one of the scenarios vendor invoices were being manipulated causing overpayment. The transportation provider would then send a refund check directly back to the Transportation Supervisor. We inquired as to whether Ms. Davis has received any refund checks from current transportation providers and she indicated that she had not.

We discussed the challenges and risks that the Transportation Department faces and specifically noting the following:

- 1) **Staffing** – The Transportation Department consists of Jodi and one other temporary worker to manage the crossing guards, correspondence/phone calls with parents, correspondence/phone calls with transportation providers and bus routes.
- 2) **Crossing Guards** – Currently the District employs eight (8) crossing guards at the busiest intersections. This can be challenging in terms of managing each of the guards and there are no backups for when a crossing guard calls off.

We reviewed in detail the process for reviewing and approving bills received from the two (2) transportation providers. As noted above, Boyo Transportation primarily handles all of the special education routes that require very specific modifications to mini vans or mini busses. Krapf Transportation primarily provides the large busses along with mini vans/busses.

Invoices are received monthly from each provider. Ms. Davis indicated that Boyo Transportation has had turnover within their office and there are frequent changes made to their invoices to correct mistakes. She indicated that Krapf Transportation is a larger company with better internal procedures and has had fewer corrections on their invoices. The first area she focuses on are the number of days that each bus/route was utilized. She verifies this with the District calendar to ensure school was in session. The second area that Ms. Davis focuses on are the rates applied to each run. All of the rates are established in the approved provider contracts. Once those two areas are reviewed and deemed accurate, Ms. Davis then forwards the invoices to Ms. Bowman, Purchasing Supervisor, to go through the payment process.

In terms of financial reporting, the Transportation Department is required to file an annual report with PDE in the fall timeframe. Since this is Ms. Davis's first year in her position, she has not had to file any reports as of yet. She will be involved in the preparation of reports in the fall of 2019.

She indicated that while her experience is limited, she does have access to a number of external resources that possess many years of transportation experience. Those individuals include Doug Walters (PASBO); Joyce Berkheimer, former administrative assistant in the Transportation Department; Len Kapp (Capital Area Intermediate Unit); and Bob Schoch (PFM).

1. Reviewed the general ledger detail for any cash payments received from Boyo or Krapf between December 2017 and June 2018.

Utilizing access obtained for eFinancePlus, Wessel and Company ran multiple general ledger queries and reports (Detail Revenue Ledger, Revenue Transaction Displays, and Detail Revenue Audit Trail) to search for cash receipts from Boyo Transportation or Krapf Transportation. No receipts were noted or identified in the accounting system. **No exceptions noted.**

2. We then selected December 2017 and May 2018 invoices from Boyo Transportation and Krapf Transportation to test the accuracy of their invoices as follows:
 - a. Verify the number of days charged
 - b. Trace and agree the rates to the approved contracts
 - c. Recalculate invoice line items for accuracy
 - d. Recalculate invoice totals for accuracy
 - e. Verify invoice was reviewed for approval prior to payment
 - f. Verify invoice agrees to check amount

For the two (2) providers and two months tested, there were a total of 220 invoice line items selected for testing. We noted the multiple exceptions when trying to verify the number of transportation to the days billed to the District **(Step a.)**

Exception #1 – Transportation provider invoice included more school days on the invoice than the District had record of on their supporting documentation.

Exception #2 – The District’s support included more school days on the invoice than the transportation provider billed for on their invoice.

Exception #3 – No support could be provided by the District for the days included on the invoice.

Potential over Payments to Transportation Providers:

	December 2017	May 2018	Total	%
Exception #1	9	9	18	8%
Exception #2	4	4	8	4%
Exception #3	15	12	27	12%
No exceptions Noted	86	81	167	76%
Total Tested	114	106	220	100%
Known Questioned Costs	\$17,382.55	\$22,314.00	\$ 39,696.55	
Average Loss			\$ 19,848.28	
# of Months position was vacant (11/2017 – 12/2018)			13	
Potential Questioned Costs			\$258,027.64	

As illustrated on the previous page, in the two months selected, there was a potential error rate of 24% which amounts to known questioned costs of \$39,696.55 and potential questioned costs of \$258,027.64. This represents a significant deficiency in the review and approval process for transportation invoices. See Finding below.

(Steps b – f) – No exceptions noted

Conclusion:

Finding TD-01 - Based on the testing performed, the District has a significant deficiency in its internal controls over the review and approval process of transportation invoices. This is due in part to turnover as the former Transportation Supervisor was terminated in November 2017 and that position remained vacant until December of 2018. The remaining cause is that an insufficient level of invoice review occurred resulting in errors that were not discovered by the District's internal controls.

We recommend the District enhance the level of documentation to support the number of school days that were in session for the month, so that when transportation invoices are received, school days can be reconciled with transportation provider invoices to ensure the District is not being overbilled by a provider.

Total known questioned costs from the testing performed amounted to **\$39,696.55** potential questioned costs calculated at **\$258,027.64.**

Harrisburg City School District
10 - Food Service Operations
Assessment of Responsibilities and Internal Controls

Background Information Discussed:

Wessel & Company conducted several interviews with Ms. Beth King, Food Service Manager, who has been in her current position as Food Service Manager for four (4) years. The following summarizes the highlights from our discussions:

- Currently Harrisburg School District, employs approximately 37 food service staff to work with approximately 35 to 40 Food Service Management Company (FSMC) contracted individuals to services meals to children in 12 school locations.
- For FY 2015-2016 through FY 2017-2018 the School District contracted with the Nutrition Group to assist with food services operations. However due to performance issues, meal count errors resulting in invoicing issues and a return of funds to PDE, a new food service management company was utilized, Southwest Foodservice, for fiscal year 2018-2019.
- Beginning in FY 2018-2019, the district began to utilize PrimeroEdge, a new point of sale system. Ms. King indicated that the new system is more accurate and doesn't encounter downtime issues that they experienced with the previous POS system. Ms. Kind also mentioned that the new system is also more user-friendly.
- Ms. King prepares the monthly invoices, based on reports provided by the Nutrition Group (*prior FSMC*) and Southwest Foodservice's (*current FSMC*). She then goes through an in depth analysis to determine food services days per month and number of meals prepared per day. She also factors in 85% average attendance and other schedule modification such as, when a snow day delay occurs, breakfast is served. She would then go back to the FSMC and request additional reports for locations that still seemed "off" based on her knowledge and analysis.
- During FY 2017-2018, the School District started serving dinner to children at 11 of their 12 locations. Recently the district changed from an "offer" to "serve" approach, which has also helped to reduce food waste.
- Ms. King discussed her compliance with the on-site meal monitoring requirement as well as inventory management and point of sale controls as follows:

Inventory Management Controls - Food supplies are purchased every three (3) or four (4) days, and inventory is always being monitored by the FSMC. They also perform month-end counts and provide Ms. King with the monthly inventory count sheets. Ms. King reviews and may also observe their month-end inventory counts as well as audit their inventory reports for accuracy.

Point of Sale Controls - Each location has two (2) assigned register workers; the assigned workers are not allowed to leave the register at any time while lunch is being served. One (1) worker/register is utilized to count the number of meals served, each student gets one (1) free meal. If they want another meal or an additional entrée item, they must personally pay for that

meal or entrée separately. One (1) worker/register sells chips/drinks etc., which they also must pay for personally.

All food service workers are entitled to one (1) meal per day. All extra food for the day is required to be thrown away. Employees are not allowed to take home any remaining food, as not to encourage the workers to prepare more food than is needed, which is also a way to control waste and additional food costs.

Wessel & Company met with Ms. King to discuss the policies, processes and procedures that the district uses related to the district's Food Service function.

Ms. King noted that Harrisburg School District uses point of sale system, PrimeroEdge, to count the number of meals sold.

Ms. King explained that she is responsible for the following:

1. Review and approval of the monthly meal claim invoices submitted to the state for reimbursement
2. Monitor the number of meals served
3. Monitor the compliance with the onsite meal monitoring requirement
4. Personnel management
5. Overseeing the District's Food Service Management Company

See [Section 2](#) of this report for Food Service testing performed.

Conclusion:

The cafeteria's financial operations and management has significantly improved. For fiscal year 2018-2019, the District contracted with a new food service management company, implemented a new POS system, and increased staff accountability and training. It appears that the District has addressed and corrected all noncompliance findings identified in both the Auditor General's October 2015 Report and their Annual Single Audit.

Section 4

APPENDIX

Harrisburg City School District

Appendix

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Harrisburg City School District

District Policies

HARRISBURG SCHOOL DISTRICT

SECTION: LOCAL BOARD PROCEDURES

TITLE: BOARD GOVERNANCE
STANDARDS/CODE OF
CONDUCT

ADOPTED: JUNE 4, 2012

REVISED:

011. BOARD GOVERNANCE STANDARDS/CODE OF CONDUCT

Section 1. Standards For Effective School Governance

To promote student growth and achievement, an effective School Board...

a. Advocates for a thorough and efficient system of public education by:

1. Promoting public education as a keystone of democracy.
2. Engaging and promoting community support by seeking input, building support networks and generating action.
3. Allocating resources in a manner designed to facilitate student achievement consistent with school district goals and plans.
4. Maintaining legislative awareness and communicating with members of local, state and federal legislative bodies.
5. Ensuring strong management of the school system by hiring, setting goals with and evaluating the Superintendent.
6. Employing qualified staff to meet student and program needs.

b. Models responsible governance and leadership by:

1. Staying current with changing needs and requirements by reviewing educational literature, attending professional development opportunities prior to Board service and continuously during Board service, and preparing to make informed decisions.
2. Interacting with school officials in other districts and using resources provided by organizations and agencies committed to effective governance and management of public schools.

	<ol style="list-style-type: none">3. Leading with respect and taking full responsibility for Board activity and behavior.4. Adopting and acting in accordance with the <i>PSBA Code of Conduct for Members of Pennsylvania School Boards</i>.5. Engaging all community stakeholders.6. Complying with Board policy and all applicable local, state and federal laws and regulations.7. Operating as a collective Board in making decisions.8. Participating in annual Board retreats. <p>c. Governs through policy by:</p> <ol style="list-style-type: none">1. Seeking input from stakeholders and following an established procedure for consideration.2. Regularly reviewing and, as necessary, revising and adopting Board policy.3. Delegating to the Superintendent responsibility for implementation of Board policy.4. Ensuring public access to adopted Board policy.5. Purposefully linking its actions to applicable Board policies. <p>d. Ensures that effective planning occurs by:</p> <ol style="list-style-type: none">1. Adopting and implementing a collaborative strategic planning process, including regular reviews.2. Setting annual goals that are aligned with the Strategic Plan.3. Linking Board actions to the Strategic Plan.4. Adopting a financial plan that considers short-term and long-term needs.5. Adopting professional development plans for Board and staff.
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	<ul style="list-style-type: none">6. Adopting a plan to ensure evaluation of student growth and achievement using relevant data.7. Adopting a master facilities plan conducive to teaching and learning.8. Adopting a plan for curriculum review and development. <p>e. Monitors results by:</p> <ul style="list-style-type: none">1. Using data appropriately to make informed decisions.2. Ensuring effective practices for evaluation of staff, programs, plans and services.3. Evaluating its own performance.4. Assessing student growth and achievement.5. Evaluating the effectiveness of the Strategic Plan. <p>f. Communicates with and engages the community by:</p> <ul style="list-style-type: none">1. Distributing relevant information about the district.2. Providing methods of communication to the Board and appropriate staff.3. Seeking input through a variety of methods.4. Including stakeholders in all communications. <p>Section 2. <u>Code Of Conduct For School Board Members</u></p> <p>a. We, as members of our local Board of Education, representing all the residents of our school district, believe that:</p> <ul style="list-style-type: none">1. Striving toward ideal conditions for effective School Board service to our community, in a spirit of teamwork and devotion to public education, is the greatest instrument for preserving and perpetuating our representative democracy.2. The future welfare of this community, commonwealth and nation depends upon the quality of education we provide in the public schools.
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	<ol style="list-style-type: none">3. In order to maintain a free and strong country, our civic obligation to the community, commonwealth and nation is to maintain free and strong public schools in the United States of America, without surrendering our responsibilities to any other person, group or organization.4. Boards of School Directors share responsibility for ensuring a “thorough and efficient system of public education” as required by the Pennsylvania Constitution.5. Our fellow residents have entrusted us with the advocacy for and stewardship of the education of the youth of this community.6. The public expects that our first and greatest priority is to provide equitable educational opportunities for all youth. <p>b. Accordingly:</p> <ol style="list-style-type: none">1. The community should be provided with information about its schools and be engaged by the Board and staff to encourage input and support for the school system.2. Devoting time, thought and study to our duties and responsibilities as School Board members is critical for rendering effective and credible service.3. Board members should work together in a spirit of harmony, respect and cooperation, despite differences of opinion.4. Personal decisions should be based upon all sufficient facts, we should vote our honest conviction without partisan bias, and we will abide by and uphold the majority decision of the Board.5. Individuals have no legal authority outside the meetings of the Board, and should conduct their relationships with all stakeholders and media on this basis.6. We will not use our positions as School Directors to benefit ourselves or any individual or agency.7. School Boards must balance their responsibility to provide educational programs with the need to be effective stewards of public resources.8. We should recognize that the primary responsibility of the Board is to adopt policies by which the schools are to be administered.
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	<p>9. We should respect that the Superintendent of Schools and his/her staff are responsible and accountable for the delivery of the educational programs and the conduct of school operations.</p> <p>10. Communication with all stakeholders and the media should be conducted in accordance with Board policy.</p>
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312. EVALUATION OF SUPERINTENDENT - Pg. 2

<p>SC 1073, 1080 Pol. 302</p>	<p>As an outcome of the Superintendent's evaluation, the Board should:</p> <ol style="list-style-type: none">1. Recognize strengths and assist the Superintendent in capitalizing on them.2. Identify weaknesses and establish a course of action that will assist the Superintendent in improving performance in these areas.3. Establish specific objectives to advance the district toward its goals.4. Determine the necessity of any action regarding the employment of the Superintendent, in accordance with law. <p>References:</p> <p>School Code – 24 P.S. Sec. 1073, 1080, 1081</p> <p>Board Policy – 302</p>
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HARRISBURG SCHOOL DISTRICT

SECTION: FINANCES

TITLE: BUDGET PLANNING

ADOPTED: JUNE 16, 2014

REVISED:

<p>1. Authority SC 601, 687</p> <p>2. Delegation of Responsibility</p>	<p style="text-align: center;">602. BUDGET PLANNING</p> <p>The budget shall be designed to reflect the Board's goals and objectives concerning the education of district students. Therefore, the budget shall be organized and planned to ensure adequate understanding of the financial needs associated with program support and development. The financial requirements of district programs shall be reviewed on a continual basis.</p> <p>To meet the objectives of this policy, the Board directs the Business Administration to:</p> <ol style="list-style-type: none"> 1. Prepare an estimated annual cost for implementation of the district's educational program. 2. Establish a projected budget of expenditures and income for the current year and ensuing year. 3. Prepare an annual estimate of anticipated school enrollments. 4. Maintain a plan of anticipated revenues based on changes in local, state and federal funding sources. 5. Prepare a long-range plan for annual maintenance and replacement of facilities. 6. Prepare a plan for current and future technology needs. 7. Maintain an inventory and replacement schedule of all district equipment. 8. Report to the Board any serious financial implications arising from the budget plan. <p>References:</p> <p>School Code – 24 P.S. Sec. 601, 687</p>
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SECTION: FINANCES

TITLE: BUDGET PREPARATION

ADOPTED: JUNE 16, 2014

REVISED:

HARRISBURG SCHOOL DISTRICT

603. BUDGET PREPARATION	
1. Purpose	<p>The Board considers preparation of an annual budget to be one of its most important responsibilities because the budget is the financial reflection of the district's educational plan. The budget shall be designed to support the educational plan in a comprehensive and efficient manner, to maintain district facilities, and to honor district obligations.</p>
2. Authority SC 687	<p>The Board recognizes its obligation to the taxpayers to approve only those expenses reasonably required to provide an educational program suitable to the needs and goals of this district and its students.</p> <p>The budget should be studied by each member of the Board during its preparation, but once adopted, it deserves the support of all members of the Board regardless of their position when adoption was voted.</p>
3. Delegation of Responsibility SC 601, 687 53 P.S. Sec. 6926.311 Pol. 604	<p>In order to ensure adequate time for preparation and review of the proposed/preliminary budget, the Board directs the Superintendent and Business Administrator to present to the Board all available information associated with the budget based upon the timelines established by the PA Department of Education.</p> <p>In preparing the budget, the responsible administrator shall set general priorities for expenditures for:</p> <ol style="list-style-type: none">1. Staff necessary to maintain current programs.2. Technology, equipment and supplies necessary to maintain current programs.3. Additional staff necessary to improve or expand current programs.4. New technology, equipment and supplies necessary to improve or expand current programs.

<p>53 P.S. Sec. 6926.302</p>	<p>As a component of budget preparation, the Superintendent and Business Administrator shall notify the Board of the appropriate Index to be used in limiting tax increases for the budget year.</p> <p>When presented for Board review, the proposed/preliminary budget shall contain:</p> <ol style="list-style-type: none"> 1. Estimated revenue and expenditures in each financial category for the previous fiscal year. 2. Estimated revenue and expenditures in each financial category for the upcoming fiscal year. 3. Student enrollment for the upcoming school year. 4. Amount of surplus anticipated at the end of the current fiscal year. 5. Explanation of each item of expense proposed, upon request.
<p>53 P.S. Sec. 6926.333</p>	<ol style="list-style-type: none"> 6. Listing of all exceptions for which the district may be eligible. 7. Relation of the estimated tax increase to the Index limitation for the district. 8. Programs, services or expenditures to be eliminated if the increase referendum is rejected. 9. Increase, if any, of tax rate in relation to the Index. <p>References:</p> <p>School Code – 24 P.S. Sec. 601, 687</p> <p>Taxpayer Relief Act – 53 P.S. Sec. 6926.301 et seq.</p> <p>Board Policy – 604</p>

HARRISBURG SCHOOL DISTRICT

SECTION: FINANCES

TITLE: PURCHASES SUBJECT TO
BID/QUOTATION

ADOPTED: JUNE 16, 2014

REVISED:

610. PURCHASES SUBJECT TO BID/QUOTATION	
<p>1. Authority SC 751, 807.1</p>	<p>It is the policy of the Board to obtain competitive bids and price quotations for products and services where such bids or quotations are required by law or may result in monetary savings to the school district.</p>
	<p><u>Supplies</u></p>
<p>SC 807.1</p>	<p>The Board shall, after due public notice advertising for competitive bids, purchase furniture, equipment, school supplies and appliances costing more than the Commonwealth approved bid limit , unless exempt by law. The Board shall advertise once a week for three (3) weeks in not less than two (2) newspapers of general circulation.</p>
<p>SC 807.1</p>	<p>Furniture, equipment, school supplies and appliances to be purchased by the district costing more than \$4,000 but less than the Commonwealth approved bid limit may be obtained on written or telephonic quotations, unless exempt by law. If it is not possible to obtain three (3) quotations, a memo must be kept on file showing that fewer than three (3) qualified vendors exist in the market area. The written price quotations, written records of telephonic price quotations and memoranda shall be kept on file for a period of three (3) years.</p>
	<p><u>Contracts</u></p>
<p>SC 751</p>	<p>The Board shall, after due public notice advertising for competitive bids, contract for construction, reconstruction, repairs, maintenance or work on any school building or property having a cost or value of more than the Commonwealth approved bid limit, unless exempt by law.</p>
<p>SC 751</p>	<p>All contracts for construction, reconstruction, repairs, maintenance or work on any school building or property, having a cost or value of more than \$4,000 but not more than the Commonwealth approved bid limit, may be obtained on written or telephonic quotations, unless exempt by law. If it is not possible to obtain three (3) quotations, a memo</p>

<p>SC 751</p>	<p>must be kept on file showing that fewer than three (3) qualified vendors exist in the market area. The written price quotations, written records of telephonic price quotations and memoranda shall be kept on file for a period of three (3) years.</p> <p>The Board may authorize district employees to perform construction, reconstruction, repairs or work having a cost or value of less than \$10,000.</p>
<p>2. Delegation of Responsibility</p>	<p>Bid specifications shall be prepared by the designated administrator and shall provide for alternates wherever possible.</p>
<p>SC 751, 807.1</p>	<p>Bids shall combine like items of supply and material whenever it is feasible and permissible under law and shall not split purchases to avoid requirements for bidding.</p> <p>Bids shall be opened publicly before one (1) or more witnesses at a previously designated time and place.</p>
<p>SC 807.1</p>	<p>Contracts shall be awarded to the lowest responsible bidder upon resolution of the Board, unless the Board chooses to reject all bids.</p>
<p>SC 751</p>	<p>The Board recognizes that emergencies may occur when imminent danger exists to persons or property or continuance of existing school classes is threatened, and time for bidding cannot be provided because of the need for immediate action. Bidding decisions in the event of such emergencies shall be made in accordance with existing legal requirements.</p> <p>References:</p> <p>School Code – 24 P.S. Sec. 751, 807.1</p> <p>Local Government Unit Electronic Bidding Act – 62 Pa. C.S.A. Sec. 4601 et seq.</p>



HARRISBURG SCHOOL DISTRICT

2101 North Front Street • Harrisburg, PA 17110-0108
(717) 703-4026 • FAX (717) 703-4127

BUSINESS SERVICES

REVISED DISTRICT PROCUREMENT PROCEDURES

The District is revising its procurement procedures to insure compliance with Board Policy 616, which identifies that checks will not be release prior to Board approval with the exception of those items where expedited payment will accrue a discount or avoid a penalty to the District, payments on contracts already approved by the Board, payroll and related checks, and utility bills. The provision for the release of a check to avoid a penalty does not pertain to a case where the responsible department has not submitted the item for payment in a timely manner.

All contracts are to be reviewed by the District Solicitor, the Business Manager, and the Board Finance and Operations Committee before being submitted to the Board for action.

This change in procedures will require additional planning time for all fiscal activities: budget transfers, contracting with outside entities, purchase requisitions/orders, facilities use request, fundraising requests, and vendor payments

Board Approval:

- The School Board currently meets the first and third Mondays of the month.\
- The Board Secretary sets the deadline by which agenda items are due for each Board meeting
- The following items require Board approved **prior** to the activity taking place:
 - **Contracts-** must be submitted to the Business Manager 1 month prior to the proposed activity for Solicitor review
 - Budget transfers – must be submitted to the Business Office 2 weeks prior to the Board meeting and must be approved by the Board before the transfer can take place. If payment of invoices is contingent on the transfer, please plan accordingly.
 - Fundraising requests – must be submitted to the Business Office 2 weeks prior to the Board meeting.
 - Facilities requests – must be submitted to the Business Office at least 2 weeks prior to the Board meeting.
 - Travel outside of PA- must be submitted to the Board Secretary with appropriate approvals 2 weeks prior to the Board meeting.

Purchase Requisitions:

- Purchase requisitions must be submitted for all proposed purchases.
- Do not make any spending commitments until a purchase requisition has been approved and a purchase order has been created.
- Purchase requisitions must be submitted to the Business Office through eSchoolmall at least one week prior to the Purchase Order being needed.
- Please make sure you are using the correct account code and that there are sufficient funds in the account, otherwise the purchase requisition will be returned for maintenance.

Purchase Orders:

- Purchase Orders will be created once the purchase requisition has been approved. The requestor will be notified when a purchase order has been created.
- The purchase order is the only way that a commitment for spending may be made. Do not place an order with a vendor and then send the purchase order after the fact.

Payments/Checks:

- Once the order has been received, verify that all items have been received and are in good order.
- Send all packing slips, invoices, and a copy of the purchase order to Accounts Payable for processing payment. Without all of the proper documentation a payment to the vendor cannot be made.
- If not all items are received, we can still issue a partial payment on the purchase order. Please be sure to let Accounts Payable what portion of the purchase order is to be paid.
- Checks will be run on a bi weekly basis.
- All documentation must be submitted to Account Payable at least 1 1/2 weeks prior to the Board meeting that the check will be approved.
- Remember that checks will not be issued until after they have been approved by the Board so please plan accordingly.

Advances:

- The District may issue an advance for travel expenses or in a limited number of cases where a purchase order is not accepted.
- All advances must be cleared by submitting an expenditure report with the appropriate receipts.
- Any unspent advance funds must be repaid at the time the expenditure report is submitted.
- Advances must be cleared within 1 month of the date of issue.
- Any advances that have not been cleared within 1 month of their issue will be deducted from the next paycheck of the individual who requested an advance.
- Anyone with an uncleared advance will not be allowed a second advance until the first one has been cleared.

Mileage:

- Mileage is reimbursed at the IRS rate.
- Mileage expense must be submitted on the District's expense reimbursement form.
- Mileage must be reimbursed on a monthly basis unless the amount of the reimbursement is less than \$15.00

Revised 1/3/12

HARRISBURG SCHOOL DISTRICT

SECTION: FINANCES

TITLE: FUND BALANCE

ADOPTED: JUNE 16, 2014

REVISED:

620. FUND BALANCE	
1. Purpose	The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the district and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.
2. Definitions	<p>Fund balance is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund.</p> <p>GASB Statement 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts shall be reported in the following classifications:</p> <p>Restricted - amounts limited by external parties, or legislation (e.g., debt covenants and grants).</p> <p>Committed - amounts limited by Board policy or Board action (e.g., future anticipated costs). Action must be taken by the Board to commit fund balance for the designated purpose prior to the end of the fiscal year.</p> <p>Assigned - amounts that are intended for a particular purpose. Generally balances in special revenue funds or capital project funds will be designated as assigned.</p> <p>Unassigned - amounts available for consumption or not restricted in any manner.</p>
3. Authority	An official Board resolution shall be required to establish, modify or rescind a commitment of fund balance.

4. Guidelines

The school district will strive to maintain an unassigned general fund balance of not less than five (5%) percent and not more than eight (8%) percent of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of several portions including restricted, committed, assigned and unassigned, may exceed twenty (20%) percent

If the unassigned portion of the fund balance falls below the threshold of five (5%) percent of budgeted expenditures, the Board will pursue options for increasing revenues and decreasing expenditures, or a combination of both until five (5%) percent of budget is attained.

If the unassigned portion of the fund balance exceed eight (8%) percent of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for expenditures. The goal shall be to use any excess fund balance for nonrecurring expenditures, but not for normal operating costs.

Use Of Fund Balance

The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated.

If the district experiences an excess of expenditures over revenues for a given fiscal year, the fund balance shall be consumed in the following order:

1. Restricted fund balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
2. Committed fund balance to the extent that expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the Board, the committed fund balance will not be reduced by more than the amount designated in the plan.

<p>5. Delegation of Responsibility</p>	<p>3. Assigned fund balance to the extent that expenditures related to the assignment contributed to the excess of expenditures and revenues.</p> <p>4. Unassigned fund balance for any remaining excess of expenditures over revenues.</p> <p>The Superintendent or designee may assign fund balance for items deemed appropriate at any time prior to the issuance of the audited financial statements for a given fiscal year.</p> <p>The Superintendent or designee shall be responsible for the enforcement of this policy.</p> <p>School Code – 24 P.S. Sec. 218, 688</p>
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HARRISBURG SCHOOL DISTRICT

SECTION: FINANCES

TITLE: FEDERAL FISCAL
COMPLIANCE

ADOPTED: April 16, 2018

REVISED:

<p>1. Authority 2 CFR Part 200</p> <p>2. Delegation of Responsibility</p> <p>2 CFR Part 200</p> <p>3. Guidelines</p>	<p style="text-align: center;">626. FEDERAL FISCAL COMPLIANCE</p> <p>The Board shall ensure federal funds received by the district are administered in accordance with federal requirements, including but not limited to the federal Uniform Grant Guidance.</p> <p>All applications for federal funds submitted by the district will be available for Board review.</p> <p>The Board designates the Superintendent as the district contact for all federal programs and funding.</p> <p>The Superintendent or designee, in collaboration with the Federal Programs Coordinator and Business Manager, shall establish and maintain a sound financial management system to include internal controls and federal grant management standards covering the receipt of both direct and state-administered federal grants, and to track costs and expenditures of funds associated with grant awards.</p> <p>The district's financial management system shall be designed with strong internal controls, a high level of transparency and accountability, and documented procedures to ensure that all financial management system requirements are met.</p>
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	<p>Financial management standards and procedures shall assure that the following responsibilities are fulfilled:</p> <ol style="list-style-type: none"> 1. Identification – the district must identify, in its accounts, all federal awards received and expended, and the federal programs under which they were received. 2. Financial Reporting – Accurate, current, and complete disclosure of the financial results of each federal award or program must be made in accordance with the financial reporting requirements of the Education Department General Administrative Regulations (EDGAR). 3. Accounting Records – the district must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. 4. Internal Controls – Effective control and accountability must be maintained for all funds, real and personal property and other assets. The district must adequately safeguard all such property and must assure that it is used solely for authorized purposes. 5. Budget Control – Actual expenditures or outlays must be compared with budgeted amounts for each federal award. Procedures shall be developed to establish determination for allowability of costs for federal funds. 6. Cash Management – The district shall maintain written procedures to implement the cash management requirements found in EDGAR. 7. Allowability of Costs – The district shall ensure that allowability of all costs charged to each federal award is accurately determined and documented. <p><u>Standards of Conduct</u></p> <p>Pol. 827 The district shall maintain standards of conduct covering conflicts of interest and the actions of employees and school officials engaged in the selection, award and administration of contracts.</p> <p>Pol. 317 All employees shall be informed of conduct that is required for federal fiscal compliance and the disciplinary actions that may be applied for violation of Board policies, administrative regulations, rules and procedures.</p>
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<p>2 CFR Sec. 200.430</p> <p>Pol. 626.1</p> <p>Pol. 304, 319, 336, 337, 624, 813</p> <p>2 CFR Sec. 200.333- 200.337 Pol. 800</p> <p>34 CFR Sec. 75.730- 75.732, 76.730- 76.731 Pol. 800</p>	<p>Employees - Time and Effort Reporting</p> <p>All district employees paid with federal funds shall document the time they expend in work performed in support of each federal program, in accordance with law. Time and effort reporting requirements do not apply to contracted individuals.</p> <p>District employees shall be reimbursed for travel costs incurred in the course of performing services related to official business as a federal grant recipient.</p> <p>The district shall establish and maintain employee policies on hiring, benefits and leave and outside activities, as approved by the Board.</p> <p><u>Record Keeping</u></p> <p>The district shall develop and maintain a Records Management Plan and related Board policy and administrative regulations for the retention, retrieval and disposition of manual and electronic records, including emails.</p> <p>The district shall ensure the proper maintenance of federal fiscal records documenting:</p> <ol style="list-style-type: none"> 1. Amount of federal funds. 2. How funds are used. 3. Total cost of each project. 4. Share of total cost of each project provided from other sources. 5. Other records to facilitate an effective audit. 6. Other records to show compliance with federal program requirements. 7. Significant project experiences and results. <p>All records must be retrievable and available for programmatic or financial audit.</p>
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<p>2 CFR Sec. 200.336</p>	<p>The district shall provide the federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, the right of access to any documents, papers, or other district records which are pertinent to the federal award. The district shall also permit timely and reasonable access to the district’s personnel for the purpose of interview and discussion related to such documents.</p>
<p>2 CFR Sec. 200.333</p>	<p>Records shall be retained for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, or as otherwise specified in the requirements of the federal award, unless a written extension is provided by the awarding agency, cognizant agency for audit, oversight agency for audit or cognizant agency for indirect costs.</p>
<p>2 CFR Sec. 200.333</p>	<p>If any litigation, claim or audit is started before the expiration of the standard record retention period, the records shall be retained until all litigation, claims or audits have been resolved and final action taken.</p>
<p>Pol. 800</p>	<p>As part of the Records Management Plan, the district shall develop and maintain a records retention schedule, which shall delineate the record retention format, retention period and method of disposal.</p>
<p>Pol. 800</p>	<p>The Records Management Plan shall include identification of staff authorized to access records, appropriate training, and preservation measures to protect the integrity of records and data.</p>
<p>Pol. 113.4, 216, 324</p>	<p>The district shall ensure that all personally identifiable data protected by law or regulations is handled in accordance with the requirements of applicable law, regulations, Board policy and administrative regulations.</p>
<p>2 CFR Sec. 200.330- 200.331</p>	<p><u>Subrecipient Monitoring</u></p> <p>In the event that the district awards subgrants, the district shall establish procedures to:</p> <ol style="list-style-type: none"> 1. Assess the risk of noncompliance. 2. Monitor grant subrecipients to ensure compliance with federal, state, and local laws and Board policy and procedures. 3. Ensure the district’s record retention schedule addresses document retention on assessment and monitoring.
<p>Pol. 800</p>	

<p>2 CFR Sec. 200.338, 200.339</p>	<p><u>Compliance Violations</u></p> <p>Employees and contractors involved in federally funded programs and subrecipients shall be made aware that failure to comply with federal law, regulations or terms and conditions of a federal award may result in the federal awarding agency or pass-through entity imposing additional conditions or terminating the award in whole or in part.</p> <p>References:</p> <p>Uniform Administrative Requirements for Federal Awards, Title 2, Code of Federal Regulations – 2 CFR Part 200</p> <p>Department of Education Direct Grant and State-Administered Programs, Title 34, Code of Federal Regulations – 34 CFR Part 75, Part 76</p> <p>Board Policy – 113.4, 216, 304, 317, 319, 324, 336, 337, 331, 610, 611, 612, 613, 624, 625, 626.1, 800, 813, 827</p>
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HARRISBURG SCHOOL DISTRICT

SECTION: OPERATIONS

TITLE: TRAVEL REIMBURSEMENT –
FEDERAL PROGRAMS

ADOPTED: April 16, 2018

REVISED:

<ol style="list-style-type: none"> 1. Authority SC 516.1, 517 2 CFR Sec. 200.474 2. Definition 2 CFR. Sec. 200.474 3. Delegation of Responsibility Pol. 004, 331 4. Guidelines 2 CFR Sec. 200.474 Pol. 004, 331 	<p style="text-align: center;">626.1. TRAVEL REIMBURSEMENT – FEDERAL PROGRAMS</p> <p>The Board shall reimburse administrative, professional and support employees, and school officials, for travel costs incurred in the course of performing services related to official business as a federal grant recipient.</p> <p>For purposes of this policy, travel costs shall mean the expenses for transportation, lodging, subsistence, and related items incurred by employees and school officials who are in travel status on official business as a federal grant recipient.</p> <p>School officials and district employees shall comply with applicable Board policies and administrative regulations established for reimbursement of travel and other expenses.</p> <p>The validity of payments for travel costs for all district employees and school officials shall be determined by the Business Manager.</p> <p>Travel costs shall be reimbursed on a mileage basis for travel using an employee’s personal vehicle and on an actual cost basis for meals, lodging and other allowable expenses, consistent with those normally allowed in like circumstances in the district’s nonfederally funded activities, and in accordance with the district’s travel reimbursement policies and administrative regulations.</p> <p>Mileage reimbursements shall be at the rate approved by the Board for other district travel reimbursements. Actual costs for meals, lodging and other allowable expenses shall be reimbursed only to the extent they are reasonable and do not exceed the per diem limits established by the Board.</p>
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<p>SC 516.1, 517</p> <p>2 CFR Sec. 200.474 Pol. 004, 331</p>	<p>All travel costs must be presented with an itemized, verified statement prior to reimbursement.</p> <p>In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that:</p> <ol style="list-style-type: none">1. Participation of the individual is necessary to the federal award.2. The costs are reasonable and consistent with the district’s established policy. <p>References:</p> <p>School Code – 24 P.S. Sec. 516.1, 517</p> <p>Uniform Administrative Requirements for Federal Awards, Title 2, Code of Federal Regulations – 2 CFR Sec. 200.474</p> <p>Board Policy – 004, 331</p>
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Allowability of Costs – Federal Programs

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.

Delegation of Responsibility

When determining how the school district will spend its grant funds, the Business Manager and Federal Programs Coordinator will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service.

Allowability Determinations

All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474 and 2 CFR Part 200, Subpart E, which are listed below. The Business Manager and Federal Programs Coordinator must consider these factors when making an allowability determination. A section entitled, *Helpful Questions for Determining Whether Costs are Allowable*, is located at the end of this document.

Part 200 sets forth general cost guidelines that must be considered, as well as rules for specific types of items, both of which must be considered when determining whether a cost is an allowable expenditure of federal funds. The expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary Education Act (ESEA), or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying program regulations, nonregulatory guidance and grant award notifications.

Restrictions in state and local rules or policy also must be considered. For example, travel and other job-related expenses incurred by employees are not allowable unless they also are in compliance with Board Policy 331 (Job Related Expenses) and related administrative regulations.

Whichever allowability requirements are stricter will govern whether a cost is allowable.

General allowability determination factors include the following:

1. **Be Necessary and Reasonable for the performance of the federal award.** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, **reasonable** means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the district or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individual incurring the cost acted with prudence in the circumstances considering responsibilities to the district, its employees, its students, the public at large, and the federal government.
- Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. (2 CFR Sec. 200.404)

Whether a cost is **necessary** will be determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need, and can prove it. For example, the school entity may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the federal award program.
- Whether the cost is identified in the approved budget or application.
- Whether there is an educational benefit associated with the cost.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.

- Whether the cost addresses program goals and objectives and is based on program data.
2. **Allocable to the federal award.** A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. (2 CFR Sec. 200.405)

For example, if fifty percent (50%) of a teacher’s salary is paid with grant funds, then that teacher must spend at least fifty percent (50%) of his/her time on the grant program.
 3. **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the school entity.**
 4. **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**
 5. **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
 6. **Adequately documented.** All expenditures must be properly documented.
 7. **Be calculated in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
 8. **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the nonfederal entity to contribute a certain amount of nonfederal resources to be eligible for the federal program.
 9. **Be the net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. (2 CFR Sec. 200.406)

Selected Items of Cost

Subpart E of Part 200 sets forth principles to be applied in establishing the allowability of fifty-five (55) specific cost items (commonly referred to as Selected Items of Cost), at 2 CFR Sec. 200.420-200.475. These specific cost items are listed in the chart below along with the citation to the section of Subpart E addressing the allowability of that item. These principles are in addition to the other general allowability standards, and apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Meeting the specific criteria for a listed

item does not by itself mean the cost is allowable, as it may be unallowable under other standards or for other reasons, such as restrictions contained in the terms and conditions of a particular grant or restrictions established by the state or in Board policy. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

School district personnel responsible for spending federal grant funds and for determining allowability must be familiar with and refer to the Part 200 selected items of cost section. These rules must be followed when charging these specific expenditures to a federal grant. When applicable, employees must check costs against the selected items of cost requirements to ensure the cost is allowable, and also check state, district and program-specific rules.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437

Entertainment costs	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461

Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

Helpful Questions for Determining Whether Costs are Allowable -

In addition to applying the cost principles and standards described above, district staff involved in expending federal funds should ask the following questions when assessing the allowability of a particular cost:

1. Is the proposed cost allowable under the relevant program?
2. Is the proposed cost consistent with an approved program plan and budget?
3. Is the proposed cost consistent with program specific fiscal rules? For example, the school entity may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources, or only as a match for funds from nonfederal sources.
4. Is the proposed cost consistent with EDGAR?
5. Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?
6. Is the proposed cost consistent with the underlying needs of the program? For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and

Secondary Education Act (ESEA) governing language instruction programs for Limited English Proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students.

7. Will the cost be targeted at addressing specific areas of weakness that are the focus of the program, as indicated by available data?

Any questions related to specific costs should be forwarded to the

Business Manager who shall consult with the school solicitor for

clarification as appropriate.

Cash Management – Federal Programs

Generally, the school district receives payment from the Pennsylvania Department of Education (PDE) on a reimbursement basis. In some circumstances, the district may receive an advance of federal grant funds. This attachment addresses responsibilities of the district and district staff under those alternative payment methods. In either case, the district shall maintain accounting methods and internal controls and procedures that assure those responsibilities are met.

Payment Methods

Reimbursements -

The school district will initially charge federal grant expenditures to nonfederal funds.

The Business Manager will request reimbursement for actual expenditures incurred under the federal grants quarterly.

Such requests shall be submitted with appropriate documentation and signed by the requestor. Requests for reimbursements will be approved by the Business Manager.

Reimbursement will be submitted on the appropriate form to the PDE portal. All reimbursements are based on actual disbursements, not on obligations. PDE will process reimbursement requests within the timeframes required for disbursement.

Consistent with state and federal requirements, the school district will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for PDE to review upon request.

Reimbursements of actual expenditures do not involve interest calculations.

Advances -

When the district receives advance payments of federal grant funds, it must minimize the time elapsing between the transfer of funds to the district and the expenditure of those funds on allowable costs of the applicable federal program. (2 CFR Sec. 200.305(b)) The district shall attempt to expend all advances of federal funds within seventy-two (72) hours of receipt.

When applicable, the district shall use existing resources available within a program before requesting additional advances. Such resources include program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds. (2 CFR Sec. 305(b)(5))

The district shall hold federal advance payments in insured, interest-bearing accounts.

The school district is permitted to retain for administrative expense up to \$500 per year of interest earned on federal grant cash balances. Regardless of the federal awarding agency, interest earnings exceeding \$500 per year shall be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. (2 CFR Sec. 200.305(b)(9))

Pursuant to federal guidelines, interest earnings shall be calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the district. Consistent with state guidelines, interest accruing on total federal grant cash balances shall be calculated on cash balances per grant and applying the actual or average interest rate earned.

Remittance of interest shall be responsibility of the Business Manager.

Administration of Federal Funds – Type of Costs, Obligations and Property Management

The district establishes and maintains Board policies, administrative regulations and procedures on administration of federal funds in federal programs as required by the Uniform Grant Guidance and other federal, state and local laws, regulations and requirements. The district's financial management system includes internal controls and grant management standards in the following areas.

Direct and Indirect Costs

Direct costs – costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Indirect costs – costs incurred for a common or joint purpose benefiting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. (2 CFR Sec. 200.405, 200.413)

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs.

Direct and indirect costs shall be determined in accordance with law, regulations, the terms and conditions of the federal award, and the district's negotiated indirect cost rate.

The district shall develop an indirect cost rate proposal and cost allocation plan in accordance with law, regulations and the terms and conditions of the federal award.

Timely Obligation of Funds

Obligations – orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the district during the same or a future period.

The following table illustrates when funds must be obligated under federal regulations:

Obligation is for:	Obligation is made:
Acquisition of property	On the date on which the district makes a binding written commitment to acquire the property
Personal services by a district employee	When the services are performed

Personal services by a contractor who is not a district employee	On the date on which the district makes a binding written commitment to obtain the services
Public utility services	When the district receives the services
Travel	When the travel occurs
Rental of property	When the district uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR Part 200, Subpart E - Cost Principles	On the first day of the project period

34 CFR §75.707; 34 CFR §76.707

All obligations must occur between the beginning and ending dates of the federal award project, which is known as the period of performance. The period of performance is dictated by law and regulations and will be indicated in the federal award. Specific requirements for carryover funds may be specified in the federal award and must be adhered to by the district. (2 CFR Sec. 200.77, 200.309)

The district will handle obligations and carry over of state-administered and direct grants in accordance with state and federal law and regulations, and the terms and conditions of the federal award. Carryover will be calculated and documented by the Business Manager.

The district may exercise an extension of the period of performance under a direct grant in accordance with law, regulations and the terms and conditions of the federal award when written notice is provided to the federal awarding agency at least ten (10) calendar days prior to the end of the period of performance. (2 CFR Sec. 200.308(d)(2))

The Federal Programs Coordinator will decide when an extension of the period of performance is necessary and will recommend that the Business Manager approve this process.

The Federal Programs Coordinator will develop the required written notice, including the reasons for the extension and revised period of performance; the notice will be issued no later than ten (10) calendar days prior to the end of the currently documented period of performance in the federal award.

The district must seek approval from the federal awarding agency for an extension of the period of performance when the extension is not contrary to federal law or regulations, and the following conditions apply:

1. The terms and conditions of the federal award prohibit the extension;
2. The extension requires additional federal funds; or
3. The extension involves any change in the approved objectives or scope of the project. (2 CFR Sec. §200.308)

The Federal Programs Coordinator will determine when an extension must be requested for approval by the federal awarding agency, draft the written request and notify the Business Manager of the requested extension.

Management of Property Acquired With Federal Funds

Contract and Purchasing Administration -

The district maintains internal controls, administrative regulations and procedures to ensure that contractors deliver goods and services in accordance with the terms, conditions and specifications of the designated contract, purchase order or requisition.

Property Classifications -

Property shall be classified as **equipment, supplies, computing devices and capital assets** as defined and specified in accordance with law, regulations and Board policy. (Pol. 622)

Inventory Control/Management -

All property purchased with federal funds, regardless of cost, will be inventoried as a safeguard.

Inventory will be received by the department or program requesting the item; designated staff will inspect the property, compare it to the applicable purchase order or requisition, and ensure it is appropriately logged and tagged in the district's property management system.

Items acquired will be physically labeled by source of funding and acquisition date.

Inventory records of equipment and computing devices must be current and available for review and audit, and include the following information:

1. Description of the item, including any manufacturer's model number.
2. Manufacturer's serial number or other identification number.
3. Identification of funding source.
4. Acquisition date and unit cost.
5. Source of items, such as company name.
6. Percentage of federal funds used in the purchase.
7. Present location, use, condition of item, and date information was reported.
8. Pertinent information on the ultimate transfer, replacement or disposition of the item and sale price of the property.

Inventory will be updated as items are sold, lost or stolen, or cannot be repaired, and new items are purchased.

Physical Inventory -

Physical inventory of property will be completed by designated district staff in accordance with applicable federal and state law and regulation and Board policy. (Pol. 622, 706)

The physical inventory of items will be conducted annually, and the results will be reconciled with the inventory records and reported to the federal awarding agency.

Maintenance -

The district establishes adequate maintenance procedures to ensure that property is maintained in good condition in accordance with law, regulation and Board policy. (Pol. 704, 708, 710)

Safeguards -

The district ensures that adequate safeguards are in place to prevent loss, damage or theft of property:

1. Any loss, damage or theft will be reported to the Business Manager, and investigated and fully documented, and may be reported to local law enforcement.
2. If stolen items are not recovered, the district will submit copies of the investigative report and insurance claim to the federal awarding agency.
3. The district may be responsible for replacing or repairing lost, damaged, destroyed or stolen items.
4. Replaced equipment is property of the originally funded program and should be inventoried accordingly.
5. District property may only be loaned in accordance with Board policy and administrative regulations. (Pol. 707, 708, 710)

Disposition of Property Acquired with Federal Funds –

When the district determines that real property, including land, land improvements structures and accessories thereto, acquired under a federal award is no longer needed for the originally authorized purpose, the district must obtain disposition instructions from the federal awarding agency or pass-through entity administering the program, in accordance with applicable law and regulations. (2 CFR Sec. 200.311)

When the district determines that equipment or supplies acquired under a federal award are no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Federal Programs Coordinator will contact the federal awarding agency or pass-through entity administering the program to obtain disposition instructions, based on the fair market value of the equipment or supplies.

Generally, items with a fair market value of \$5,000 or less that are no longer effective may be retained, sold, purged, or transferred to the district. For items with a fair market value greater than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.

If the district will be replacing the equipment or supplies, the district may use the existing equipment or supplies as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

The Federal Programs Coordinator will be responsible for contacting the federal awarding agency and determining the process for disposition of equipment or supplies.

The district may use the following methods in disposing of unnecessary equipment or supplies acquired with federal funds:

- Public auction and/or online sale – generally conducted by a licensed auctioneer.
- Salvage – scrap sold to local dealers.
- Negotiated sale – normally used when disposing of items of substantial value.

Sealed bid – normally used for items of substantial value or unique qualities.

- Pre-priced sale – large quantities of obsolete or surplus equipment or supplies may be sold by this method.
- Donation to charitable organizations, for equipment or supplies with little to no value.
- Disposition to trash for equipment or supplies with no value.

The Business Manager will be responsible for maintaining records of obsolete and surplus property disposed of, and will report to the federal awarding agency when required.

Procurement – Federal Programs

This document is intended to integrate standard district purchasing procedures with additional requirements applicable to procurements that are subject to the federal Uniform Grant Guidance regulations and/or U.S. Department of Agriculture (USDA) regulations governing school food service programs. The district maintains the following purchasing procedures, in accordance with federal and state laws, regulations and Board policy. (2 CFR 200.318-200.325; 7 CFR 210.16, 210.19, 210.21, 215.14a, 220.16; 24 P.S. 120, 24 P.S. 504, 24 P.S. 508, 24 P.S. 521, 24 P.S. 607, 24 P.S. 609, 24 P.S. 751, 24 P.S. 807.1; 62 Pa. C.S.A. 4601 et seq; Pol. 610, 611, 612, 613, 808)

Responsibility for Purchasing

The Board has outlined standard district purchasing responsibility, methods of purchasing, price quotations and bid requirements in the following Board policies and their accompanying administrative regulations or procedures:

- Policy 610. Purchases Subject to Bid/Quotation
- Policy 611. Purchases Budgeted
- Policy 612. Purchases Not Budgeted
- Policy 613. Cooperative Purchasing

Purchase Methods

When a request for purchase of equipment, supplies or services has been submitted and approved as outlined below, the procurement method to be used will be determined based on the total cost of the purchase as further outlined below. This procedure outlines how the cost thresholds for determining when the quote or formal bidding procedures that are required by state law as reflected in Policy 610 must be modified when making purchases for federally funded purposes to which the Uniform Grant Guidance or USDA regulations apply, so as to comply with both state and federal requirements. At each point where requirements for food service-related procurement under USDA regulations differ, a note will refer to the Food Service Program Notes at the end of this procedure. Final determination of which purchasing procedures are to be applied is delegated to the Business Manager under the authority of the Board.

Standard Procurement Documents and Purchase Request Process

The district shall use purchase orders for purchase requests in accordance with the applicable purchase method.

The district shall use electronic purchasing records, which are pre-numbered and are accessible to designated purchasing staff in the Business Office.

Purchase requests by an employee must be submitted to the building administrator or immediate supervisor. Purchase of all budgeted items or items approved by an administrator or supervisor must be initiated by use of a purchase order or requisition submitted to the Business Manager.

Purchase orders and requisitions shall contain information including, but not limited to:

1. Description of the services to be performed or goods to be delivered.
2. Location of where services will be performed or goods will be delivered.
3. Appropriate dates of service or delivery.

Documentation on purchase orders and requisitions shall be maintained in accordance with the district's Records Management Policy and records retention schedule. (Pol. 800)

Contracts shall be reviewed by the school solicitor prior to submission to the Board for approval.

Contracts to which the Uniform Grant Guidance apply shall contain the clauses specified in Appendix II to 2 CFR Part 200 (Contract Provisions for Non-Federal Entity Contracts Under Federal Awards), when applicable.

Micro-Purchases Not Requiring Quotes or Bidding (up to \$3,500)

For purposes of this procedure, **micro-purchase** means a purchase of equipment, supplies or services for use in federally funded programs using simplified acquisition procedures, the aggregate amount of which does not exceed a base amount of \$3,500. The micro-purchase dollar threshold is adjusted periodically by the federal government, and the threshold most recently established and published in the Federal Register shall apply if other than \$3,500.(48 CFR Subpart 2.1)

Note: The micro-purchase maximum for federal purposes is lower than the amount below which the School Code allows purchase for nonfederal purposes to be made without obtaining at least three (3) written or telephonic quotes or using formal competitive bidding.

The micro-purchase method is used in order to expedite the completion of its lowest dollar small purchase transactions and minimize the associated administrative burden and cost. Procurement by micro-purchase is the acquisition of equipment, supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.

To the extent practicable, the district distributes micro-purchases equitably among qualified suppliers when the same or materially interchangeable products are identified and such suppliers offer effectively equivalent rates, prices and other terms. The Business Manager will be responsible to determine the equitable distribution of micro-purchases.

Micro-purchases may be awarded without soliciting competitive quotations if the district considers the price to be reasonable. The district will maintain evidence of this reasonableness in the records of all micro-purchases. **Reasonable** means that sound business practices were followed and the purchase is comparable to market prices for the geographic area. Such determinations of reasonableness may include comparison of the price to previous purchases of the same item or comparison of the price of items similar to the item being purchased.

Even if the cost of a purchase qualifies it as a micro-purchase, bidding or small purchase procedures may be used optionally when those procedures may result in cost savings.

Small Purchase Procedures (between \$3,500 and \$19,400)

For purposes of this procedure, **small purchase procedures** are those relatively simple and informal procurement methods for securing equipment, services, or supplies that cost more than the amount qualifying as a micro-purchase and do not cost \$19,400 or more. Small purchase procedures cannot be used for purchases of equipment or supplies or for construction, repair or maintenance services costing \$19,400 or more because the School Code requires formal competitive bidding at that level of cost.

The base amount at which bidding is required under state law is adjusted for inflation annually, and the amount most recently established and published in the Pennsylvania Bulletin shall apply if other than \$19,400. (24 P.S. Sec. 120)

Because state law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost, small purchase procedures, including a request for proposal (RFP) procedure, may be used for procurement of such other services except when the estimated total cost will be at or over the federal threshold at which formal competitive bidding is required (\$150,000).

If small purchase procedures are used, written or telephonic price or rate quotations are obtained from at least three (3) qualified sources and records of quotes are maintained as provided in Policy 610. (Pol. 610)

Formal Competitive Bidding (\$19,400 or more)

Publicly Solicited Sealed Competitive Bids:

For purchases of equipment or supplies, or of services for construction, maintenance or repairs of school facilities, sealed competitive bids are publicly solicited and awarded to the lowest responsive and responsible bidder as provided in Policy 610 when the total cost is estimated to be \$19,400 or more. (Pol. 610)

Note: The amount at which formal competitive bidding is required by federal regulations is much higher than the base amount at which the School Code requires competitive bidding. Therefore, the lower base amount specified by the School Code, as annually adjusted, is used to determine when bidding will be used for purchases of equipment or supplies, or for obtaining services for construction, maintenance or repairs on school facilities. (24 P.S. Sec. 120)

State law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost. For procurement of such other services for federally funded purposes to which the Uniform Grant Guidance applies, formal competitive bidding will be used when the estimated total cost will be at or over the federal threshold of \$150,000.

The federal competitive bidding dollar threshold is adjusted periodically by the federal government, and the threshold most recently established and published in the Federal Register shall apply if other than \$150,000. (48 CFR Subpart 2.1)

Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of. Any or all bids may be rejected if there is a sound documented reason.

[See Food Service Program Notes below for reference to state requirements regarding contracts with food service management companies and contractors of pre-plated meals.]

Competitive Proposals

State law does not require public school entities to solicit competitive bids for services other than construction, repairs or maintenance of school facilities, for which competitive bidding is required if the cost will be a base amount of \$19,400 or more. State law allows competitive proposals relating to work on facilities in lieu of bidding only in the context of guaranteed energy savings contracts.

Federal regulations allow the use of competitive proposals as an alternative when formal bidding would otherwise be required only to procure architectural and engineering services. Other types of services for federally funded purposes to which the Uniform Grant Guidance applies, professional or otherwise, must be procured using competitive bidding when the cost would meet or exceed the federal threshold for competitive bidding (\$150,000).

In the case of services other than for construction, repairs or maintenance of school facilities costing less than that threshold, the district may use small purchase procedures or micro-purchase procedures as applicable based on total cost. A request for proposal (RFP) process can also meet or exceed the small purchase competition requirements under state law and Policy 610 for the acquisition of services other than for construction, repairs or maintenance of school facilities, and can be used if the total cost will be less than \$150,000.

When permitted, the technique of competitive proposals is normally conducted with more than one (1) source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. Competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The district shall comply with other applicable state and federal law and regulations, Board policy and administrative regulations regarding purchasing; the district may consult with the school solicitor or other qualified counsel in determining the required process for purchasing through competitive proposals when necessary.

If this method is used, the following requirements apply:

1. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical.
2. Proposals must be solicited from an adequate number of qualified sources.
3. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Competitive proposals shall be evaluated by the

Business Manager

based on factors including but not limited to:

- Cost
- Experience of contractor.

- Availability.
- Personnel qualifications.
- Financial stability.
- Minority business, women's business enterprise, or labor surplus area firm status.
- Project management expertise.
- Understanding of district needs.

Evaluations shall be completed in a timely manner, documented and shall be reviewed by the Business Manager.

Contract/Price Analysis:

The district performs a cost or price analysis in connection with every procurement action in excess of \$150,000, including contract modifications. (2 CFR Sec. 200.323(a)).

A **cost analysis** generally means evaluating the separate cost elements that make up the total price, while a **price analysis** means evaluating the total price, without looking at the individual cost elements.

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the Business Manager must come to an independent estimate prior to receiving bids or proposals. (2 CFR Sec. 200.323(a)). As part of the analysis, the Business Manager will enact established business practices which may include evaluation of similar prior procurements and a review process.

When performing a cost analysis, the Business Manager negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. (2 CFR Sec. 200.323(b)).

Noncompetitive Proposals (Sole Sourcing)

Procurement by noncompetitive proposals means procurement through solicitation of a proposal from only one (1) source and may be used only when one or more of the following circumstances apply:

1. The item is available only from a single source.
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. An **emergency** exists whenever the time required for the Board to act in accordance with regular procedures would endanger life or property or threaten continuance of existing school classes.
3. The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the district.
4. After solicitation of a number of sources, the district determines the competition is inadequate.

In addition to standard procurement policy and procedures, the district will document the grounds for using the noncompetitive method in lieu of an otherwise required competitive method of procurement, which may include written confirmation from the contractor as the sole source of the item. Documentation must be submitted to and maintained by the Business Office.

All noncompetitive proposals will ultimately be approved by the Board. The district may utilize legal advice from the solicitor regarding noncompetitive proposals.

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds \$150,000.

Purchase Cards

The district approves the use of procurement cards for permissible purchases by designated employees to improve the efficiency of purchasing activities, reduce processing expenses, improve controls for small-dollar purchases, and streamline contractor payment.

Procurement cards may be used for purchases under federal programs. The use of procurement cards is governed by Board policy 625 Procurement Cards and established administrative regulations. (Pol. 625)

Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 CFR Sec. 200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

1. Placing unreasonable requirements on firms in order for them to qualify to do business.
2. Requiring unnecessary experience and excessive bonding.
3. Noncompetitive pricing practices between firms or between affiliated companies.
4. Noncompetitive contracts to consultants that are on retainer contracts.
5. Organizational conflicts of interest.
6. Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement.
7. Any arbitrary action in the procurement process.

EDGAR further requires the following to ensure adequate competition.

Minority Businesses, Women's Business Enterprises, Labor Surplus Area Firms

The district must take necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. Affirmative steps must include: (2 CFR Sec. 200.321)

1. Placing qualified small and minority business and women's business enterprises on solicitation lists.
2. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources.
3. Dividing total purchasing requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business and women's business enterprises.
4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women's business enterprises.
5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.
6. Requiring the prime contractor, if subcontracts are let, to take the affirmative steps listed above.

Geographical Preferences Prohibited

The district must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Prequalified Lists

The district must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the district must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

The district must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

Avoiding Acquisition of Unnecessary or Duplicative Items

The district must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration must be given to consolidating or breaking out procurements to obtain a more economical purchase; and, where appropriate, an analysis must be made of leases versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds. Such considerations are accessible in the procedure attached to Policy 626: Allowability of Costs – Federal Programs.

Use of Intergovernmental Agreements and Cooperative Purchasing

To foster greater economy and efficiency, the district enters into state and local intergovernmental agreements where appropriate for cooperative purchasing or use of common or shared goods and services, as permitted by the Intergovernmental Cooperation Act and the Commonwealth Procurement Code. (Pol. 613; 53 Pa. C.S. Ch. 23; 62 Pa. C.S. Ch. 19)

When procuring supplies or services for federally funded purposes to which the Uniform Grant Guidance applies, the district shall verify that the organization conducting the procurement pursuant to such agreements complies with the applicable requirements and standards of the Uniform Grant Guidance as outlined in this procedure.

Use of Federal Excess and Surplus Property

The district considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

Debarment and Suspension

The district awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The district may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over \$25,000 the district verifies that the contractor with whom the district intends to do business is not excluded or disqualified. (2 CFR Part 200, Appendix II, and 2 CFR Sec. 180.220 and 180.300).

All successful contractors must provide written certification that they have not been suspended or debarred from federal projects. The Business Manager will be responsible for verification. Such verification may include accessing the online federal System for Award Management (SAM) to determine whether any relevant party is subject to any suspension or debarment restrictions.

Maintenance of Procurement Records

The district must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Maintenance of records of procurement will be governed by Board policy 800 Records Management and established administrative regulations. (Pol. 800)

Time and Materials Contracts

The district may use a time and materials type contract only: (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. **Time and materials type contract** means a contract whose cost to the district is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the district must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Settlements of Issues Arising Out of Procurements

The district alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the district of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Protest Procedures to Resolve Dispute

The district maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. Protest procedures will be acted on in accordance with current state law and regulations, established district administrative regulations and the advice of the solicitor. (Pol. 610)

Food Service Program Notes:

Exemption from Bidding for Perishable Food Items -

The School Code exempts purchases of perishable food items from bidding requirements. Bidding for perishable food items is required only if the cost would be at or over the federal threshold at which formal competitive bidding is required (\$150,000). Small purchase procedures may be used for purchases below \$150,000, or micro-purchase procedures for purchases below \$3,500. Use of bidding should be considered as an option if it is feasible and likely to result in cost savings.(24 P.S. Sec. 504(d))

Geographic Preferences -

The district is permitted to apply a geographic preference when procuring unprocessed locally grown or locally raised agricultural products. When a geographic preference is applied, the district has discretion to determine the local area to which the geographic preference option will be applied.

Unprocessed locally grown or locally raised agricultural products means only those agricultural products that retain their inherent character. The effects of the following food handling and preservation techniques shall not be considered as changing an agricultural product into a product of a different kind or character: cooling; refrigerating; freezing; size adjustment made by peeling, slicing, dicing, cutting, chopping, shucking, and grinding; forming ground products into patties without any additives or fillers; drying/dehydration; washing; packaging (such as placing eggs in cartons), vacuum packing and bagging (such as placing vegetables in bags or combining two (2) or more types of vegetables or fruits in a single package); the addition of ascorbic acid or other preservatives to prevent oxidation of produce; butchering livestock and poultry; cleaning fish; and the pasteurization of milk. (7 CFR Sec. 210.21, 215.14a, 220.16)

Buy American -

The district shall purchase, to the maximum extent practicable, domestic commodities or products for food service purposes. The term **domestic commodity or product** means: (7 CFR Sec. 210.21, 220.16)

1. An agricultural commodity that is produced in the United States; and
2. A food product that is processed in the United States substantially using agricultural commodities that are produced in the United States.

Mandatory Contract Clauses -

The following provisions shall be included in all cost reimbursable contracts for food services purchases, including contracts with cost reimbursable provisions, and in solicitation documents prepared to obtain offers for such contracts: (7 CFR Sec. 210.21, 215.14a, 220.16)

1. Allowable costs will be paid from the nonprofit school food service account to the contractor net of all discounts, rebates and other applicable credits accruing to or received by the contractor or any assignee under the contract, to the extent those credits are allocable to the allowable portion of the costs billed to the school food authority;
2. (a) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or

(b) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in a manner suitable for contract cost determination and verification;

3. The contractor's determination of its allowable costs must be made in compliance with the applicable departmental and program regulations and Office of Management and Budget cost circulars;
4. The contractor must identify the amount of each discount, rebate and other applicable credit on bills and invoices presented to the school food authority for payment and individually identify the amount as a discount, rebate, or in the case of other applicable credits, the nature of the credit. If approved by the state agency, the school food authority may permit the contractor to report this information on a less frequent basis than monthly, but no less frequently than annually;
5. The contractor must identify the method by which it will report discounts, rebates and other applicable credits allocable to the contract that are not reported prior to conclusion of the contract; and
6. The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the state agency, or the department.

Contracts with Food Service Management Companies -

Procedures for selecting and contracting with a food service management company (FSMC) shall comply with guidance provided by the Pennsylvania Department of Education, Division of Food and Nutrition, including standard forms, procedures and timelines for solicitation, selection and approval of proposals and contracts. (7 CFR Sec. 210.16, 210.19, 210.21, 215.14a, 220.16)

Pre-Plated Meals -

Procedures for selecting and contracting with contractors of pre-plated meals shall comply with guidance provided by the Pennsylvania Department of Education, Division of Food and Nutrition, including standard forms, procedures and timelines for solicitation, selection and approval of proposals and contracts. (7 CFR Sec. 210.16, 210.19, 210.21, 220.16)

Grant Subrecipient Monitoring Procedures – Federal Programs

In the event the district disperses federal funds received through a federal award to other entities and assigns responsibilities to the outside entity to conduct a portion of the work, the district shall be responsible for determining, on a case-by-case basis, whether the agreement with such entity places the outside entity in the role of a subrecipient receiving a subaward of federal funding, or the role of a contractor.

If the district grants subawards of federal funding to other entities as subrecipients, the district shall be responsible for:

1. Evaluating the entity for risk of noncompliance to determine appropriate monitoring practices.
2. Monitoring the subrecipient entity's implementation to ensure compliance with federal, state and local laws, conditions of the federal funding award, and Board policy and procedures.
3. Notifying the subrecipient entity of identified deficiencies found during the monitoring process and ensuring that identified deficiencies are corrected.
4. Documenting and retaining records on subrecipient identification, notification, evaluation, monitoring and corrective actions taken.

Definitions

For purposes of policies and procedures related to federal programs, the following definitions shall apply:

Contract – a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used here does not include a legal instrument, even if the entity considers it a contract, when the substance of the transaction meets the definition of a federal program award or subaward. (2 CFR 200.22)

Contractor – an entity that receives a contract, as defined in law and regulations, by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. (2 CFR 200.23)

Pass-through entity – a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program. The district serves as the pass-through entity in cases where it awards federal funding to a subrecipient as defined in this procedure. (2 CFR 200.74)

Subaward – an award provided by a pass-through entity to a subrecipient in order to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR 200.92)

Subrecipient – a non-federal entity that receives a subaward to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. (A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.) (2 CFR 200.93)

Subrecipient Versus Contractor

The district must determine, on a case-by-case basis, whether an entity receiving funds from the district as part of a federal funding program serves in a role of subrecipient or contractor. (2 CFR 200.330)

The Business Manager shall be responsible for analyzing the criteria listed in the chart below and evaluating the relationship with the entity based on the substance of the legal agreement, rather than the form of the agreement. The Business Manager may consult with the school solicitor or other qualified counsel in making such determination.

Subrecipient	Contractor
Creates a Federal assistance relationship	Purpose is to obtain goods and services for the non-Federal entity’s own use and creates a procurement relationship
Determines who is eligible to receive what Federal assistance	Provides the goods and services within normal business operations
Has its performance measured in relation to whether objectives of a Federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and	Provides goods or services that are ancillary to the operation of the Federal program; and
In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity (PTE)	Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons

*chart provided by © American Institute of CPAs (AICPA)

The district shall notify subrecipients that they have been identified as a subrecipient and that the funding qualifies as a subaward. The district shall provide the subrecipient with the following information as specified at 2 CFR Sec. 200.331(a) regarding the federal funding award, and any subsequent changes:

- 1) Federal Award Identification information, including:
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see §200.39 federal award date) of award to the recipient by the federal agency;
 - (v) Subaward Period of Performance Start and End Date;
 - (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
 - (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - (x) Name of federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
 - (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement;
 - (xii) Identification of whether the award is R&D; and
 - (xiii) Indirect cost rate for the federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).
- 2) All requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award;

- 3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports;
- 4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
- 5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- 6) Appropriate terms and conditions concerning closeout of the subaward.

Evaluation of Risk

The district shall evaluate each subrecipient's risk of noncompliance with law, regulations and the terms and conditions of the subaward to determine appropriate monitoring practices. (2 CFR 200.331) Business Manager or designee shall be responsible for evaluating risk based on the following factors:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits, including whether the subrecipient receives a single audit and the extent to which the same or similar subaward has been audited;
3. Whether the subrecipient has new personnel, or new or substantially changed systems and processes;
4. The extent and results of any federal award agency's monitoring of the subrecipient.

The Business Manager or designee shall request adequate documentation from the subrecipient to conduct the evaluation of risk; such documentation may include, but shall not be limited to,

- audit reports
- financial reports
- policies and procedures
- detailed descriptions or users' guides of current systems and processes.

The district shall evaluate subrecipients for risk of noncompliance annually or as specified in the legal agreement or contract.

Based on the results of the risk evaluation, the district may consider imposing specific conditions on implementation of the subaward, in accordance with applicable law and regulations. (2 CFR 200.207, 200.331)

Monitoring

The district shall monitor the implementation and activities of each subrecipient as necessary to ensure that the subaward is used for authorized purposes, in accordance with law, regulations and the terms and conditions of the subaward. The district shall notify subrecipients of monitoring requirements, and may provide technical assistance to subrecipients in complying with monitoring requirements.

As part of the monitoring process, the district shall complete the following steps: (2 CFR 200.331)

1. Review financial and performance reports required by the district.
2. Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the subaward detected during monitoring through audits, on-site reviews and other means.
3. Issue a management decision for audit findings pertaining to the subaward provided to the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.521)

Monitoring –

The Federal Programs Coordinator or designee shall be responsible for monitoring of subrecipients. Monitoring activities may include, but shall not be limited to:

1. Review of progress reports, financial reports and data quality.
2. On-site visits.
3. Review of federal or state debarment lists.
4. Review of other agreed-upon procedures specified in the legal agreement or contract. (2 CFR 200.425)

The district shall verify that subrecipients are audited as required by applicable law and regulations. (2 CFR 200.331, 2 CFR 200.500-200.521, Pol. 619)

Follow-Up Actions –

The Federal Programs Coordinator or designee shall provide subrecipients with written documentation detailing their monitoring results and listing any identified deficiencies. The district shall consider whether the results of monitoring indicate the need to revise existing district policy and procedures. (2 CFR 200.331)

The district shall require subrecipients to take immediate action on issues involving ineligible or illegal use of federal funding, and notify the district of corrective action taken.

The district shall require subrecipients to develop a corrective action plan to address other identified deficiencies or noncompliance issues; such plan shall be submitted to the district within 60 days or as specified in the agreed-upon procedures, and the district shall evaluate and monitor the activities taken by the subrecipient under the corrective action plan. The district may provide technical assistance and/or training to subrecipients in complying with corrective action requirements.

The Federal Programs Coordinator or designee shall maintain all documentation on monitoring of subrecipients and corrective action taken during the monitoring process.

The district shall report issues of noncompliance to the appropriate federal agency where required by law, regulations, or requirements of the federal funding program.

Remedies for Noncompliance –

When monitoring activities identify issues of noncompliance that are not addressed through corrective action, the district may take the following actions: (2 CFR 200.331, 200.338)

1. Impose specific conditions on the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.207)
2. Temporarily withhold cash payments, in accordance with applicable law and regulations.
3. Disallow or deny use of funds for all or part of the cost of the activity or action not in compliance.
4. Wholly or partially suspend or terminate the agreement for the federal award.
5. Recommend that the federal agency initiate suspension and debarment proceedings.
6. Withhold further awards or agreements for the project or program.
7. Take other remedies legally available, in consultation with the school solicitor or other qualified counsel.

Record Retention

The Business Manager shall ensure that all documentation regarding subrecipient identification, notification, evaluation, monitoring activities and corrective action is maintained in accordance with Board policy and procedures. (Pol. 800)

Records shall be retained in accordance with applicable law, regulations, specific requirements of the federal program and the district's records retention schedule. (2 CFR 200.333-200.337, Pol. 800)

HARRISBURG SCHOOL DISTRICT

SECTION: FINANCES

TITLE: DEBT MANAGEMENT AND
CAPITAL FUNDING

ADOPTED: APRIL 20, 2015

REVISED:

630. DEBT MANAGEMENT

The Board recognizes its responsibility to establish written guidelines for the debt issuance practices of the Harrisburg School District, including the debt issuance process, management of the debt portfolio, adherence to various laws and regulations, and the use of derivatives. This debt management policy is intended to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning.

Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and able to meet its debt obligations. This policy ensures the Board of School Directors (the "Board") credibility and transparency to ensure that there is a common understanding among the Board and staff regarding the District's approach to debt financing.

PURPOSE

This policy is intended to ensure that financings undertaken by the District are prudent and allow the District to efficiently utilize its financial resources and maintain fiscal stability, while meeting its long term capital needs.

The Board has the following objectives for its debt policy:

1. Preserve financial flexibility and maintain appropriate resources and funding capacity for future capital needs;
2. Enhance the quality of decisions by imposing consistency and discipline;
3. Identify objectives for staff;
4. Maintain strong credit ratings and good investor relations;
5. Achieve the lowest cost of capital; and
6. Maintain a prudent level of financial risk.

HIGHLIGHTS

The District’s goal will be to limit debt service costs to no more than 20% of operating revenues and to limit debt outstanding to no more than 10% of the full assessed valuation of the District.

Projects selected for debt financing must be supported by an achievable financial plan that includes servicing the debt and meeting any new or increased operating costs.

The maximum targeted amount of unhedged floating rate debt as a percentage of total debt should not exceed 15%.

To proceed with a refunding, the net present value savings should be at least 3.00% of the amount of the refunded debt, including all issuance costs.

It is the District’s goal that, at any given time, at least 50% of its total outstanding debt shall mature within 15 years.

The District’s goal will be to limit its total exposure to derivatives to no more than 10% of its total outstanding debt.

I. ISSUANCE OF DEBT

A. Legal Authority

All powers and duties of the District with respect to indebtedness and borrowing are authorized exclusively under the Local Unit Government Debt Act (“Debt Act”), 53 PACSA §§8001 et seq. and by resolutions of the Board adopted pursuant to the Debt Act.

B. Debt Limits

In addition to statutory limitations imposed by the Debt Act, the District should have guidelines in place to maintain a balance between debt service costs and all other educational expenditures. These guidelines, including specifically the debt burden limitation, are to be reviewed annually during the budget process to determine applicability and appropriateness.

The District’s statutory limitation for net non-electoral and lease rental debt is equal to 225% of the District’s Borrowing Base. This limit can be exceeded by placing debt offerings on the ballot in the general elections.

The District will monitor its debt levels by:

1. Determining the ratio of debt service costs to operating revenues. The District’s goal will be to limit debt service costs to no more than 20% of operating revenues.

2. Determining the ratio of debt outstanding to full assessed valuation. The District's goal will be to limit the principal amount of debt outstanding to no more than 10% of the full assessed valuation of the District.

C. Use of Proceeds

State law, primarily the Debt Act, authorizes the specific purposes for which debt may be issued. The proceeds from issuing debt are primarily used to fund capital projects. In certain unique circumstances, the District may issue debt to eliminate an unforeseen deficit and to fund pension contributions, swap termination payments and aged workers' compensation claims.

Under §8002, the Debt Act defines the use of the term "Projects" and lists specific components including:

1. Items of construction, acquisition, extraordinary maintenance or repair which have been undertaken by a local government unit;
2. Preliminary studies, surveying, planning, testing or design work for any undertaking described above;
3. Lands or rights in land to be acquired;
4. Furnishings, machinery, apparatus or equipment normally classified as capital items, but these items must have a useful life of five years or more if financed separately and not as a part of a construction or acquisition project.

Debt issued by the District for capital purposes must meet the following criteria:

1. Projects selected for debt financing must be supported by an achievable financial plan that includes servicing the debt and meeting any new or increased operating costs; and
2. Projects funded with long-term debt can only be issued if the capital projects are included in the current fiscal year capital budget.

D. Refundings

All outstanding debt issues shall be monitored on an ongoing basis to evaluate refunding opportunities. A present value analysis should be prepared to analyze the potential savings taking into account all costs associated with the refunding. The present value analysis should be calculated on the transaction as a whole and on a maturity-by-maturity basis.

To proceed with a refunding, the net present value savings should be at least 3.00% of the principal amount of the refunded debt, including all costs of issuance. In

addition, there must be positive net present value savings resulting from each maturity being refunded.

E. Debt Structuring

1. Term / Amortization. The term of the debt must not exceed the expected useful life of the projects or purpose of the program being financed. In general, the Debt Act will not allow a term in excess of 40 years.

The maximum term for any of the District's debt issues should not exceed 25 years. Further, it is the District's goal that, at any given time, at least 50% of its total outstanding debt shall mature within 15 years.

2. Coupon Structure. The District should utilize the coupon structure that produces the lowest True Interest Cost (TIC) taking into consideration the call option value of any callable maturities. Long-term fixed rate debt obligations should be callable in ten years or less. When comparing yields associated with callable premium bonds and callable discount bonds of the same maturity, the yield-to-maturity should be evaluated in addition to the yield-to-call date.

3. Maturities. Bonds or notes may be serial bonds or notes or term bonds or notes or any combination thereof. The use of capital appreciation bonds or zero-coupon bonds should be avoided unless they are necessary for practical bond structuring reasons or they produce lowest TIC compared to other structures.

4. Level Debt. The Debt Act establishes requirements for local governmental units to structure the debt amortization for each debt issue in such a way to achieve, as nearly as practicable, level debt service within an issue or overall level debt service.

5. Fixed Rate vs. Floating Rate. Fixed rate debt provides known principal and interest payments for the life of the issue with no ongoing interest rate risk exposure. Floating rate debt involves known principal payments and floating interest payments. While floating rate debt can potentially achieve a lower cost of borrowing, it involves interest rate and other ongoing risks which must be evaluated. When deciding whether to issue floating rate debt, the District should evaluate all associated risks, including: i.) interest rate risk, ii.) credit risk (cost, availability, renewal), iii.) remarketing risk, and iv.) event risk; as well as its historical cash balances to confirm that the financial flexibility is available if debt services increases due to rising interest rates or credit costs.

The maximum targeted amount of unhedged floating rate debt as a percentage of total debt for the District should not exceed [20%].

6. Bond Insurance. The District may purchase bond insurance for an entire issue, or for specific maturities, if it is determined that the present value of the estimated debt service savings from insurance is greater than the insurance premium.

7. Capitalized Interest. Capitalized interest increases the amount of debt to be issued and therefore should be avoided unless essential from a credit standpoint.

F. Selection of Professionals

Bond Counsel and Financial Advisor. The District will issue a Request for Qualifications (RFQ) for bond counsel and financial advisor upon the anticipation of issuing any debt. The selection criteria included in the RFQ should include a firm's ability, knowledge and experience serving similar clients, experience and level of performance with the District, as well as other criteria determined by the District at the time.

Other Professionals. The District will competitively procure services from underwriters, banking institutions, credit providers and counterparties through Requests for Proposals (RFP) on an issue-by-issue basis, except for emergency situations or in instances where a negotiated approach may be necessary to procure financial products or services that are proprietary or that have been customized to meet the needs of District.

G. Fees

All fees incurred in undertaking a bond financing shall be payable from bond proceeds. The fees will vary depending upon the complexity of the issuance. District management will disclose to the Board the fees being paid by the District to all professional service providers participating in District financing transactions.

H. Method of Sale

For each bond financing, the District will determine, based upon the recommendation of the financial advisor, the method of sale to be utilized. The determination of whether to use a competitive or negotiated sale will be dependent upon the complexity of the transaction, timing considerations, the need for extensive pre-marketing, and market conditions at the time. The Debt Act requires that the Board make a finding that such a method of sale is in the best financial interest of the District.

II. USE OF INTEREST RATE MANAGEMENT AGREEMENTS

A. Legal Authority

The District is authorized, under amendments to the Debt Act, to enter into "qualified interest rate management agreements," which term is defined as agreements determined in the judgment of the District to be designed to manage interest rate risk or interest costs of the District on any debt which the District is authorized to incur under the Debt Act. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and floor agreements, forward agreements, float agreements and other similar financing arrangements. The District is required by the Debt Act to adopt an interest rate management plan (the "Plan") prior to entering into such agreements.

B. Use of Derivatives

The District will only utilize derivatives if it is determined that the proposed transaction has been designed to manage interest rate risk or interest cost to the District on debt that the District is authorized to incur, and will achieve one or more of the following objectives:

1. Optimize the capital structure, including the schedule of debt service payments and/or fixed verses variable rate allocations;
2. Achieve appropriate asset/liability match;
3. Reduce risk, including interest rate risk, tax risk, or liquidity renewal risk;
4. Provide the District with greater financial flexibility;
5. Generate interest rate savings;
6. Enhance investment yields;
7. Manage exposure to changing markets in advance of anticipated bond issuances (through the use of anticipatory hedging instruments).

The use of a particular derivative product is not permitted if:

1. The rationale for using the derivative is based on speculation regarding the future direction or level of interest rates;
2. The fair market value of the transaction cannot be readily and reliably determined at all times by the District or its agents;
3. The transaction structure and terms will result in a lack of liquidity and the inability to timely terminate the transaction at market;
4. The transaction is inconsistent with the overall intent of the Plan or the requirements of the Debt Act. The District's goal will be to limit its total exposure to derivatives to no more than 20 % of its total outstanding debt.

C. Evaluation and Management of Risk

The Debt Act requires that, prior to entering a qualified interest rate management agreement, the District must adopt the Plan, which must be prepared or reviewed by an independent financial advisor, and includes:

1. Schedules of all outstanding debt of the District and all outstanding qualified interest rate management agreements, including outstanding debt service and

- estimated and maximum periodic scheduled payments of all outstanding qualified interest rate management agreements;
2. A schedule of all consulting, advisory, brokerage or similar fees paid or payable by the District in connection with the qualified interest rate management agreement and of all such fees and finder's fees, if any, paid or payable by any other party in connection with qualified interest rate management agreements;
 3. Analyses of the interest rate risk, basis risk, termination risk, credit risk, market access risk, and other risks of entering into such agreements and of the net payments due for all debt outstanding and for all qualified interest rate management agreements; and
 4. The District's plan to monitor interest rate risk, basis risk, termination risk, credit risk, market-access risk, and other risks. Monitoring requires valuation of the market or termination value of all outstanding qualified interest rate management agreements.

The Plan further provides that the District will seek to maximize the benefits and minimize the risks of derivative instruments by actively managing its derivative program. This will entail frequent monitoring of market conditions, by both the District and its Independent Financial Advisor, for emergent opportunities and risks related to existing qualified interest rate management agreements. Active management shall include:

1. Early termination;
2. Shortening or lengthening the term;
3. Sale or purchase of options; or
4. Utilization of basis swaps.

D. Monitoring

The Plan requires monitoring reports that include, among other things, a valuation of all outstanding qualified interest rate management agreements, to be delivered to the Board at least on an annual basis. These reports must include the following:

1. A description of all outstanding interest rate management agreements, including related bond series, type of swap, rates paid and received by the District, and outstanding notional amount.
2. Highlights of all material changes to swap agreements or new swap agreements entered into by the District since the last report.

3. Mark-to-market valuations for each of the District's interest rate swap agreements.

4. The credit rating of each swap counterparty.

III. DEBT MANAGEMENT PRACTICES

A. Continuing Disclosure

In order to enable the underwriters of its bonds to comply with SEC Rule 15c2-12, the District has entered into Continuing Disclosure Agreements to provide for the timely filing of annual financial information and material event notifications. A Continuing Disclosure Agreement will be executed for each bond issue. Under its existing Continuing Disclosure Agreements, the District has agreed to file, on an annual basis not later than 270 days following the end of each fiscal year, the following information:

1. The audited financial statements for the most recent fiscal year;

2. A summary of the budget for the current fiscal year;

3. The assessed value and market value of all taxable real estate for the current fiscal year;

4. The taxes and millage rates imposed for the current fiscal year;

5. The real property tax collection results for the most recent fiscal year, including (i) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (ii) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (iii) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (iv) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount);

6. A list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year; and

7. Pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible).

In addition to the annual filing, the District must file notice of certain material events in a timely manner, as well as notice of a failure to provide the required annual financial information specified above.

It is the responsibility of CFO and/or Business Administrator to file the District's annual continuing disclosure requirements detailed above no later than the targeted date of March 1 of each year.

B. Ratings

The District will maintain good communications with the credit rating agencies to inform them about the District's financial position and will provide the rating agencies in a timely manner with the annual audited financial statements and operating budget.

The District will make all reasonable efforts to maintain and improve its bond ratings. As of the date of this Policy, S&P has assigned a rating of "A+" to the District based upon the intercept provisions of Section 633 of the Public School Code.

C. Post Issuance Tax Compliance

The District shall maintain a system of record keeping and reporting in order to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder for the bonds which are subject to the Code. These requirements include monitoring of arbitrage rebate and yield restriction and reduction requirements. The District seeks to minimize the cost of arbitrage rebate and yield restriction, while complying with the Code requirements. The District will engage an independent rebate analyst to prepare the required arbitrage rebate reports.

D. Swap Monitoring and Reporting

In compliance with the Plan, the District will engage an independent financial advisor to provide annual reports on each of its swaps outstanding as outlined in Section II.D. above. Such report will be prepared annually as of June 30. In addition, the District will report the fair market value of its outstanding swaps and its exposure to risk in the audited financial statements each year.

E. Annual Review

This Policy will be subject to annual review and/or amendment by the District and its financial advisor to comply with applicable law and to ensure that the District's financial and operational flexibility is maintained.

HARRISBURG SCHOOL DISTRICT

SECTION: OPERATIONS

TITLE: RECORDS MANAGEMENT

ADOPTED: MARCH 20, 2017

REVISED:

800. RECORDS MANAGEMENT	
<p>1. Purpose</p>	<p>The Board recognizes the importance of establishing and maintaining a Records Management Plan that defines district staff responsibilities and complies with federal and state laws and regulations.</p>
<p>2. Authority SC 518</p> <p>65 P.S. Sec. 67.901 Pol. 828</p>	<p>The Board shall retain, as a permanent record of the district, Board minutes, annual auditor's reports and annual financial reports. All other financial records, including financial account books, orders, bills, contracts, invoices, receipts and purchase orders, shall be retained by the district for a period of not less than six (6) years.</p> <p>All other district records shall be retained in accordance with state and federal law and regulations and the district Records Management Plan approved by the Board.</p> <p>The district shall make a good faith effort to comply with all proper requests for record production. Selective destruction of records in anticipation of litigation is forbidden.</p>
<p>3. Definitions</p> <p>65 P.S. Sec. 67.102</p>	<p>Electronic Mail (Email) System - a system that enables users to compose, transmit, receive and manage text and/or graphic electronic messages and images across local area networks and through gateways connecting other networks. This information consists primarily of messages but may include attachments such as calendars, directories, distribution lists, word processing documents, spreadsheets, and other electronic documents.</p> <p>Litigation Hold - a communication ordering that all records and data relating to an issue being addressed by current or potential litigation or investigation be preserved for possible production during the litigation or investigation.</p> <p>Records - information, regardless of physical form or characteristics, that documents a transaction or activity of the district and that is created, received or retained pursuant to law or in connection with a transaction, business or activity of the district. The term includes a document, paper, letter, map, book, tape, photograph, film or sound recording, information stored or maintained electronically and a data-processed or image-processed document.</p>

<p>4. Delegation of Responsibility</p>	<p>Records Management Plan - the system implemented by the district for the retention, retrieval, and disposition of all records generated by district operations.</p> <p>Records Retention Schedule - a comprehensive listing stating retention periods and proper disposition of records.</p> <p><u>Records Coordinator</u></p> <p>In order to maintain a Records Management Plan that complies with federal and state laws and regulations and Board policy, the Board designates the Superintendent or designee as the district's Records Coordinator who shall serve as the chairperson of the Records Management Committee.</p> <p>The Records Coordinator shall be responsible to:</p> <ol style="list-style-type: none"> 1. Ensure that training appropriate to the user's position and level of responsibility is provided. Such training may include: <ol style="list-style-type: none"> a. Operation, care and handling of the equipment and software. b. Requirements of the Records Retention Schedule. c. Protocols for preserving and categorizing district records. d. Procedures and responsibilities of district staff in the event of a litigation hold. e. Identification of what is and what is not a record. f. Disposal of records. 2. Review the Records Management Plan periodically to ensure that record descriptions and retention periods are updated as necessary. 3. Identify, when the retention period expires, the specific records to be disposed of and ensure that all identified records are properly disposed of at regular intervals of at least once every twelve (12) months.
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<p>Pol. 801</p> <p>SC 433</p>	<p><u>Records Management Committee</u></p> <p>A committee responsible for the development and recommendation of the district's Records Management Plan shall be established by the Board. The Records Management Committee shall give primary consideration to the most efficient and economical means of implementing the recommended Plan. Members of the Committee shall include the:</p> <ol style="list-style-type: none"> 1. Open Records Officer. 2. Superintendent. 3. Board Secretary. 4. District solicitor. 5. Information Technology Director or designee. 6. Business Manager. 7. Board member(s). <p>The Records Management Committee shall meet periodically to evaluate the effectiveness and implementation of the Records Management Plan and recommend changes as needed.</p>
<p>5. Guidelines</p> <p>65 P.S. Sec. 67.708 20 U.S.C. Sec. 1232g</p>	<p><u>Records Management Plan</u></p> <p>The district's Records Management Plan shall be the principal means for the retention, retrieval, and disposition of manual and electronic records, including emails. The Plan shall not rely primarily on backup systems to manage the retention and disposition of records.</p> <p>The Records Management Plan shall include:</p> <ol style="list-style-type: none"> 1. Comprehensive listing of records and data of the district. 2. Criteria to distinguish records of the school district from the supplemental personal records of individual employees. 3. System(s) of records storage and retrieval to be used, including in what form the records will be stored, maintained, reproduced, and disposed.

4. Preservation measures to protect the integrity of records and data.
5. Data map or flow chart detailing the sources, routes, and destinations of electronic records.
6. Procedures and employee designated for determining whether an item is a record.
7. Procedures for adding, revising or deleting records and data, and any other details necessary to implement the Records Management Plan.
8. Records Retention Schedule.
9. Provisions for the storage and retrieval of records in the event of an emergency or disaster.
10. Staff positions authorized to access district records.
11. Procedures to be implemented in the event of a litigation hold that immediately suspends disposition of all records relevant to the current or potential claim. Such procedures shall specify:
 - a. Who can initiate a litigation hold.
 - b. How and to whom a litigation hold is communicated.
 - c. Who will determine which records are subject to the litigation hold.
 - d. Who will be responsible for collecting and preserving such records and data.
 - e. Who will be responsible for monitoring and ensuring the district's compliance with the litigation hold.
 - f. In what format the records will be collected.

When possible, records and data shall be stored in their original form, including metadata, such as creation date, author, type of file, etc.

For any record not covered by the Records Retention Schedule, the Records Management Committee shall determine how long the record shall be kept and recommend any necessary revisions to the retention schedule.

The district shall maintain and dispose of records in a manner that protects any sensitive, proprietary or confidential information or individual privacy rights, and helps conserve natural resources.

Manual Records

Manual records, which include all records not stored electronically, shall be retained and disposed of in accordance with the Records Management Plan.

Manual records shall be indexed in an organized and consistent manner, reflecting the way the records will be retained and referenced for later retrieval.

The district shall develop and maintain adequate and up-to-date documentation about each manual record system. Documentation may:

1. List system title and responsible employee(s) or office.
2. Define the contents of the system, including record formats.
3. Identify vital records and information.
4. Determine restrictions on access and use.

Electronic Records

Electronic records shall be retained and disposed of in the same manner as records in other formats and in accordance with the Records Management Plan.

Electronic records shall be indexed in an organized and consistent manner, reflecting the way the records will be retained and referenced for later retrieval.

The district shall develop and maintain adequate and up-to-date documentation about each electronic record system. Documentation may:

1. List system title and responsible employee(s) or office.
2. Specify all technical characteristics necessary for reading or processing the records stored on the system.
3. Identify all defined inputs and outputs of the system.
4. Define the contents of the system, including records formats and database tables.

5. Identify vital records and information.
6. Determine restrictions on access and use.
7. Describe update cycles or conditions.

Email Records

Email messages, in and of themselves, do not constitute records. Retention and disposition of email messages depend on the function and content of the individual message.

Records on an email system, including messages and attachments, shall be retained and disposed of in accordance with the district's Records Management Plan.

Email messages and attachments that do not meet the definition of records shall be deleted as required by the Records Management Plan.

Email records may be maintained as an electronic record or be printed and maintained as a manual record.

For each email considered to be a record, the following information shall be retained:

1. Message content.
2. Name of sender.
3. Name of recipient.
4. Date and time of transmission and/or receipt.

Contractors

Records created or maintained by contractors employed by the Board shall be retained and disposed of in accordance with the Records Management Plan.

65 P.S.
Sec. 67.506

References:

School Code – 24 P.S. Sec. 433, 518

Right-to-Know Law – 65 P.S. Sec. 67.101 et seq.

Family Educational Rights and Privacy Act – 20 U.S.C. Sec. 1232g

Federal Rules of Civil Procedure – 16, 26, 34, 37, 45

Board Policy – 004, 006, 105.2, 114, 138, 203, 203.1, 209, 212, 216, 216.1, 233, 314, 324, 326, 334, 601, 609, 610, 618, 619, 702, 706, 716, 801, 810, 810.1, 828, 830, 912

HARRISBURG SCHOOL DISTRICT

SECTION: OPERATIONS
 TITLE: CONTRACTED SERVICES
 ADOPTED: MARCH 20, 2017
 REVISED:

818. CONTRACTED SERVICES	
<p>1. Purpose</p>	<p>In its effort to provide cost-effective programs, the Board may need to utilize contracted services. The district shall monitor and evaluate such services to assure their effectiveness. This policy is adopted to assist the Board in procuring and maintaining qualified and legally certified services.</p>
<p>2. Authority SC 111 Title 22 Sec. 8.1 et seq 23 Pa. C.S.A. Sec. 6301 et seq</p> <p>SC 111</p>	<p>The Board is required by law to ensure that independent contractors and their employees comply with the mandatory background check requirements for criminal history and child abuse.</p> <p>Independent contractors and their employees shall report, on the designated form, arrests and convictions as required by law. Failure to accurately report such arrests and convictions may, depending on the nature of the offense, subject the individual to criminal prosecution.</p>
<p>3. Delegation of Responsibility SC 111 23 Pa. C.S.A. Sec. 6303</p>	<p>The Superintendent or designee shall ensure that all contractors submit for each of the contractor’s prospective employees prior to employment:</p> <ol style="list-style-type: none"> 1. Report of criminal history record information. 2. Federal criminal history Registration ID number. 3. Official child abuse clearance statement. <p>The district shall maintain a copy of the required information.</p> <p>The criminal history record information and the child abuse clearance statement shall not be required for a contractor’s employees who have no direct contact with students.</p>

Pol. 610

Mandatory background check requirements for criminal history and child abuse shall be included in all bidding specifications for contracted services.

References:

School Code – 24 P.S. Sec. 111

State Board of Education Regulations – 22 PA Code Sec. 8.1 et seq.

Child Protective Services Law – 23 Pa. C.S.A. Sec. 6301 et seq.

Board Policy – 610

HARRISBURG SCHOOL DISTRICT

SECTION: OPERATIONS

TITLE: CONFLICT OF INTEREST

ADOPTED: April 16, 2018

REVISED:

<p>1. Purpose</p> <p>2. Definitions 65 Pa. C.S.A. Sec. 1101 et seq</p> <p>65 Pa. C.S.A. Sec. 1101 et seq</p>	<p style="text-align: center;">827. CONFLICT OF INTEREST</p> <p>This policy shall affirm standards of conduct established to ensure that Board members and employees avoid potential and actual conflicts of interest, as well as the perception of a conflict of interest.</p> <p>Confidential information shall mean information not obtainable from reviewing a public document or from making inquiry to a publicly available source of information.</p> <p>Conflict or Conflict of interest shall mean use by a Board member or district employee of the authority of his/her office or employment, or any confidential information received through his/her holding public office or employment, for the private pecuniary benefit of him/herself, a member of his/her immediate family or a business with which s/he or a member of his/her immediate family is associated. The term does not include an action having a de minimis economic impact, or which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group which includes the Board member or district employee, a member of his/her immediate family or a business with which s/he or a member of his/her immediate family is associated.</p> <p>De minimis economic impact shall mean an economic consequence which has an insignificant effect.</p> <p>Financial interest shall mean any financial interest in a legal entity engaged in business for profit which comprises more than five percent (5%) of the equity of the business or more than five percent (5%) of the assets of the economic interest in indebtedness.</p> <p>Honorarium shall mean payment made in recognition of published works, appearances, speeches and presentations, and which is not intended as consideration for the value of such services which are nonpublic occupational or professional in nature. The term does not include tokens presented or provided which are of de minimis economic impact.</p>
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<p>65 Pa. C.S.A. Sec. 1101 et seq</p>	<p>Immediate family shall mean a parent, parent-in-law, spouse, child, spouse of a child, brother, brother-in-law, sister, sister-in-law, or the domestic partner of a parent, child, brother or sister.</p>
	<p>Business partner shall mean a person who, along with another person, plays a significant role in owning, managing, or creating a company in which both individuals have a financial interest in the company.</p>
<p>3. Delegation of Responsibility</p>	<p>Each employee and Board member shall be responsible to maintain standards of conduct that avoid conflicts of interest. The Board prohibits members of the Board and district employees from engaging in conduct that constitutes a conflict of interest as outlined in this policy.</p>
<p>4. Guidelines</p>	<p>All Board members and employees shall be provided with a copy of this policy and acknowledge in writing that they have been made aware of it. Additional training shall be provided to designated individuals.</p>
	<p><u>Disclosure of Financial Interests</u></p>
<p>Pol. 004</p>	<p>No Board member shall be allowed to take the oath of office or enter or continue upon his/her duties, nor shall s/he receive compensation from public funds, unless s/he has filed a statement of financial interests as required law.</p>
<p>65 Pa. C.S.A. Sec. 1104 Title 51 Sec. 15.2</p>	<p>The district solicitor and designated district employees shall file a statement of financial interests as required by law and regulations.</p>
	<p><u>Standards of Conduct</u></p>
<p>2 CFR Sec. 200.318</p>	<p>The district maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees and Board members engaged in the selection, award and administration of contracts.</p>
<p>2 CFR Sec. 200.318</p>	<p>No employee or Board member may participate in the selection, award or administration of a contract supported by a federal award if s/he has a real or apparent conflict of interest as defined above, as well as any other circumstance in which the employee, Board member, any member of his/her immediate family, his/her business partner, or an organization which employs or is about to employ any of them, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.</p>

<p>65 Pa. C.S.A. Sec. 1101 et seq</p>	<p>The district shall not enter into any contract with a Board member or employee, or his/her spouse or child, or any business in which the person or his/her spouse or child is associated valued at \$500 or more, nor in which the person or spouse or child or business with which associated is a subcontractor unless the Board has determined it is in the best interests of the district to do so, and the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such a case, the Board member or employee shall not have any supervisory or overall responsibility for the implementation or administration of the contract.</p> <p>When advertised formal bidding is not required or used, an open and public process shall include at a minimum:</p> <ol style="list-style-type: none"> 1. Public notice of the intent to contract for goods or services; 2. A reasonable amount of time for potential contractors to consider whether to offer quotes; and 3. Post-award public disclosure of who made bids or quotes and who was chosen.
<p>65 Pa. C.S.A. Sec. 1101 et seq</p>	<p>Any Board member or employee who in the discharge of his/her official duties would be required to vote on a matter that would result in a conflict of interest shall abstain from voting and, prior to the vote being taken, publicly announce and disclose the nature of his/her interest as a public record.</p>
<p>65 Pa. C.S.A. Sec. 1101 et seq</p>	<p>No public official or public employee shall accept an honorarium.</p>
<p>2 CFR Sec. 200.318 Pol. 322</p>	<p>Board members and employees may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. Gifts of a nominal value may be accepted in accordance with Board policy.</p>
<p>65 Pa. C.S.A. Sec. 1101 et seq</p>	<p><u>Improper Influence</u></p> <p>No person shall offer or give to a Board member, employee or nominee or candidate for the Board, or a member of his/her immediate family or a business with which s/he is associated, anything of monetary value, including a gift, loan, political contribution, reward or promise of future employment based on the offeror's or donor's understanding that the vote, official action or judgment of the Board member, employee or nominee or candidate for the Board would be influenced thereby.</p>

<p>Pol. 317</p>	<p>Any perceived conflict of interest of a Board member that is detected or suspected by any employee or third party shall be reported to the Board President. If the Board President is the subject of the perceived conflict of interest, the employee or third party shall report the incident to the Superintendent, who shall report the incident to the solicitor.</p> <p>No reprisals or retaliation shall occur as a result of good faith reports of conflicts of interest.</p> <p><u>Investigation</u></p> <p>Investigations based on reports of perceived violations of this policy shall comply with state and federal laws and regulations. No person sharing in the potential conflict of interest being investigated shall be involved in conducting the investigation or reviewing its results.</p> <p>In the event an investigation determines that a violation of this policy has occurred, the violation shall be reported to the federal awarding agency in accordance with that agency's policies.</p> <p><u>Disciplinary Actions</u></p> <p>If an investigation results in a finding that the complaint is factual and constitutes a violation of this policy, the district shall take prompt, corrective action to ensure that such conduct ceases and will not recur. District staff shall document the corrective action taken and, when not prohibited by law, inform the complainant.</p> <p>Violations of this policy may result in disciplinary action up to and including discharge, fines and possible imprisonment. Disciplinary actions shall be consistent with Board policies, procedures, applicable collective bargaining agreements and state and federal laws.</p>
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References:

State Ethics Commission Regulations – 51 PA Code Sec. 15.2

Public Official and Employee Ethics Act – 65 Pa. C.S.A. Sec. 1101 et seq.

Uniform Administrative Requirements for Federal Awards, Title 2, Code of Federal Regulations – 2 CFR Sec. 200.318

Board Policy – 004, 011, 317, 319, 322, 609, 702

HARRISBURG SCHOOL DISTRICT

SECTION: OPERATIONS

TITLE: FRAUD

ADOPTED: MARCH 20, 2017

REVISED:

	<p style="text-align: center;">828. FRAUD</p> <p>1. Authority The Board expects all Board members, district employees, volunteers, consultants, vendors, contractors and other parties that maintain a relationship with the school district to act with integrity, due diligence, and in accordance with law in their duties involving the district’s resources. The Board is entrusted with public funds, and no one connected with the district shall do anything to erode that trust.</p> <p>2. Definitions Fraud, financial improprieties, or irregularities include but are not limited to:</p> <ol style="list-style-type: none"> 1. Forgery or unauthorized alteration of any document or account belonging to the district. 2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document. 3. Misappropriation of funds, securities, supplies, or other assets. 4. Impropriety in handling money or reporting financial transactions. 5. Profiteering because of insider information of district information or activities. 6. Disclosure of confidential and/or proprietary information to outside parties. 7. Acceptance or seeking of anything of material value, other than items used in the normal course of advertising, from contractors, vendors, or persons providing services to the district. 8. Destruction, removal, or inappropriate use of district records, furniture, fixtures, or equipment. 9. Failure to provide financial records to authorized state or local entities. 10. Failure to cooperate fully with any financial auditors, investigators or law enforcement.
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Results of an investigation shall not be disclosed to or discussed with anyone other than those individuals with a legitimate right to know, until the results are made public.

References:

Whistleblower Law – 43 P.S. Sec. 1421 et seq.

Sarbanes Oxley Act of 2002 – 15 U.S.C. Sec. 7201 et seq.

Whistleblower Protection – 18 U.S.C. Sec. 1513

Board Policy – 317